

# FAR EASTERN ECONOMIC REVIEW

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## JAPANESE PHOENIX

It is now three years after the termination of hostilities in the Far East but peace has not been granted us and violence and "cold wars" are sweeping over a great part of the world. In the shadow of the contest waged by two uncompromising spirits claiming the control of mankind's future the people of all countries live in fear and insecurity. The two protagonists have divided the world and seek to consolidate their positions before the final showdown which this generation trembles to witness and in which so many will perish unless the process of social evolution is permitted to continue by concession, adjustment and compromise.

Against this tragic background of impending disaster the Japanese people have achieved remarkable results in national rehabilitation and they have won the genuine, though often grudgingly given, respect of the nations against which the armed might of Japan waged war only three years ago. The greatness of the Japanese nation was only proved after its defeat and surrender; the people have slowly won back the confidence of their adversaries and Japan's achievement in production and national discipline has added prestige to her old renown as a virile nation.

Forging ahead under the guidance and even the goading of the American Occupation authorities, with a theologically inspired Supreme Commander at the helm, the Japanese have come to appreciate the benevolence of their former enemy and a relationship of trust and growing friendship has developed. If not for the world-wide Soviet-American antagonism the period of American occupation might have already come to its end, a Peace treaty may have been signed and normalcy restored.

The purpose of the Occupation has been achieved with the disarmament of the Japanese forces, the dismantling of war material producing industries, the inauguration of the New Constitution

and the progress of democratisation. What now remains to be done is the continued cooperation between the Japanese and the Americans and, indeed, the rest of the world; the regained confidence and respect have to be carefully fostered and mutual proofs of the desire to progress along a peaceful path towards prosperity and contentment have to be shown.

While the basis for Japan's existence in the post-war world has been laid the two urgent problems of the Japanese people remain with them and with us. The population pressure is as high as ever which necessitates emigration of the surplus; demographic advisers of the American Government have advocated the early resumption of Japanese emigration and have emphasised that the average Japanese has proved a good citizen in foreign countries and an able coloniser in Asia. The previous ominous connotation of Japanese settlers in underdeveloped regions may now be regarded as a thing of the past.

Japan, as the workshop of the greater part of Asia (outside the Soviet sphere), is placed into an environment fundamentally similar to the one of the United Kingdom; on the one side there are high industrial intelligence and productivity, a great aptitude for manufacturing and for the supply of services (in particular shipping) while, on the other, the scarcity of raw materials for the manufacturing industries and inadequate production of native foodstuffs compel the nation to engage in most intensive foreign trading.

Cooperation of the world with Japan means therefore primarily to buy from Japan and to supply her with the commodities she requires to keep her industries going, her people fed and the national standard of living on the increase. Every suggestion of a boycott of Japanese goods is therefore tantamount to an attempt to strangle the Japanese people and as such is a most serious step leading to deep resentment. Trading with Japan has always meant good earnings and profits for the mer-

chants of all countries and to encourage mutual commerce and to promote it actively is the essence of economic cooperation among the nations.

As a relic of the stirred up emotions of the late world war many sectors of the affected nations are as yet unprepared to resume full-scale business with Japan thus harming their own interests and retarding the rehabilitation of Japan. But this spirit is now dying out fast. The reservoir of good will which Japan has in many countries in the Far East assures a success of her export drive and the now concluded agreement with the sterling area will tend to advance further the program of industrial rehabilitation of Japan.

Only a stagnant civilisation and a people suffering from an inferiority complex object to the achievement of progress noted in Japan as they are in fright seeing the dynamism of the unbroken and optimistic spirit of the defeated Japanese. Apathy elsewhere in Far Eastern countries is vividly contrasted by the vitality and productivity and hard work of the Japanese.

Hongkong's interest as one of the principal entrepôts in the world and as the British outpost in the Western Pacific is to help in the re-establishment of the amicable relations which so happily prevailed throughout most of the history of Anglo-Japanese contacts, and to intensify commercial business with Japan. Considerable progress has been recorded in our trade with Japan since the resumption of private trading just a year ago and the prospects for an increased two-way commerce are satisfactory. The gradual abolition of controls both in Tokyo and here will, it is expected, greatly increase the volume of business with Japan. For the further promotion of trade with Japan the re-establishment of branches of Japanese commercial and shipping firms in the Colony should prove very helpful. Japanese commercial companies are then expected to make good use of the unrivalled facilities offered by Hongkong as a free port and an emporium and a meeting place of international merchants.



## NATIONALISM AND ANTI-FOREIGN DISCRIMINATION IN THE FAR EAST

*In a frank address at the Convocation of the Far Eastern University, Manila, Mr. Frank A. Waring, Chairman of the Philippine War Damage Commission, warned that nationalistic, i.e. selfish, forces are at work in the Far East which are bent to discriminate against foreigners, to discourage them from economic cooperation and thus inflicting harm on the interest of the native peoples in the first place.*

*Mr. Waring's timely admonition deserves to be read particularly in China where foreign business has been working in the recent past under trying conditions and where only lip-service has been paid to the spirit of international cooperation.*

\* \* \* \*

A type of selfishness is the spirit of nationalism that appears to be rising in many countries, particularly in those with new-found independence. There is a difference between patriotism and nationalism. It is quite appropriate to feel a surge of pride at the sight of the flag and at the sound of the national anthem. But it is not wise to allow that feeling to expand into discriminatory legislation detrimental to foreign interests which, properly encouraged, will assist in the economic development of a country.

It is not true that the absence of foreign capital will open more opportunities for domestic capital. On the contrary, foreign capital, operating under nondiscriminatory safeguards for the public welfare, will create additional opportunities for domestic capital, and provide more employment for the people and more revenue for the government. In a land that has inadequate domestic capital to develop its own economic potentialities foreign capital and domestic capital, operating together, can obviously do more for the country and its people than domestic capital operating alone.

But this desirable objective cannot be achieved, if the spirit of nationalism is allowed to create conditions unattractive to foreign investors.

Let us stop for a moment to examine the symptoms of this disease called "nationalism." First of all, we are apt to find restrictive trade policies. Moderate tariffs have a legitimate function in providing governmental revenue but high protective tariffs promote inefficient industries at home and are paid for indirectly by the consumers through higher prices. Moderate taxes, provided they are not discriminatory, may also serve a legitimate purpose in adding to governmental revenues. There is little, if any, justification, however, for import quotas which usually operate severely to restrict trade, and often drive it from customary channels into the hands of a favoured few. The consumers are forced to pay higher prices for the controlled commodities, and the profits go to those whom the government permits to continue in business. If governments, manufacturers, and growers would only

devote to the development of exports the same ingenuity and attention they frequently display in their endeavours to control imports, trade could expand, because the increased exports would provide the foreign currency necessary to pay for the imports which the people desire. An expanding trade will augment wealth, stimulate investment, increase employment, and add to governmental revenues. The restriction of imports will not.

Frequently, the spirit of nationalism is displayed by the introduction of exchange controls and various devices to affect adversely currency reserves. If foreign capital is to be attracted to a country, the currency must be stable and adequately secured. It must be surrounded by adequate safeguards to preserve confidence. In financial matters, particularly in questions of currency, confidence is a priceless asset which it is easy to lose and difficult to regain.

Stability of currency, then, rests on confidence, and confidence rests on re-

sources, sound trade policy, adequate reserves properly safeguarded, and, above all, trained men of integrity to manage them.

Another evidence of nationalism is the enactment of legislation which discriminates against foreign enterprises and investments. If foreign capital is to be attracted to a country, it must be guaranteed equality of opportunity. That does not mean special privilege for foreign capital; it means, instead, special privilege for no one, domestic or foreign. Foreign investors seek fair laws and regulations, impartially administered. This observation applies with equal force to legislation affecting trade, labour, taxation, industry, finance, and the professions.

Sometimes nationalism appears in the guise of government in business. Foreign capital is unlikely to enter a country if it realized that it must compete with government enterprises freed from taxation and other restrictions. In addition, a nation that would attract foreign capital must see to it that its government enforces the sanctity of contracts and preserves the basic rights of private property.

## PROGRESS AND EFFECTS OF THE AMERICAN INFLATION

### THE INSECURITY OF THE INDIVIDUAL

In February, when grain prices in the U.S. dropped sharply, it looked as though the inflationary spiral might have been broken. The index of consumers' prices reacted two points. Now, however, it appears that what happened then was only a brief interruption to the upward drift of prices, not the start of a general reverse movement and seemingly not even—as many had hoped—a precursor to a period of broad price stability. The balance has swung again, at least temporarily, to the side of inflation, as is manifest in recent wage settlements and price advances.

The importance of the further rise in cost of living that evidently is now occurring lies not so much in the present move itself, important though it may prove to be, as in the cumulative effect. It comes on top of a price rise that, in terms of the cost of living, already had cut a 100 cent dollar of 1939 down to a 60 cent dollar of 1947. In terms of countless individual commodities, it takes more than two 1948 dollars to buy as much as one 1939 dollar bought.

#### Six Per Cent a Year Price Rise

The rising trend of prices now stretches over ten years, something of a record for endurance of a general price movement. Up to 1942 the rise was accompanied by disappearing unemployment. Since then it has been a rise under conditions of substantially full employment. From 1942 to 1946 the uptrend was slow as price and rationing controls held back the

readings on inflation barometers. Since 1946, however, and with the major exception of rents, the indexes of prices, both wholesale and retail, have reflected more fully the effect of the wartime and postwar inflation. The rise in the cost of living since 1939 has averaged six per cent a year, compounded annually. The rise from May 1947 to May 1948 was nine per cent. In May the index stood 72 per cent higher than in 1939.

The increases in the other indexes have been greater. Prices paid to farmers, indeed, are triple the somewhat depressed level of 1939. Wholesale prices other than farm and food are up 84 per cent. Average hourly earnings of wage-earners are double a level that already in 1939 was a record level; they have moved still higher since April, the last date for which this index is available. Farm prices and wages thus have been the active leaders in the inflation.

#### National Income Inflated

With prices, wages and profits rising, the constant swelling of the national income to new record heights is less a cause for gratification than for concern over the pace and persistence of inflation. For the average person the physical comforts of life in America have attained a new peak in the postwar period. This is the answer that comes out when the national income is adjusted for the increase of population, the price rise, and the greatly enlarged load of taxes. In his Annual Message to the Congress on the State of the Union, January 7,



the President figured that the average income of the people, measured in dollars of equal purchasing power, increased—after taxes—by more than 50 per cent from 1938 to 1947. Addressing the extra session of Congress last November 17, the President made a similar comparison with 1929, the pre-depression peak, and found a rise of 39 per cent. The percentages, of course, vary depending on the time span and the relative levels of production, employment, prices and taxes, in the particular year with which the comparison is made.

#### "Casualties" of Inflation

Despite this auspicious overall record, nevertheless, the President has recognized that there are "casualties" of inflation.

It is only when consideration is given to how particular classes of people have fared that the casualties are discovered. Since the nineteen twenties—the longer period that the President took—there have been important casualties not only of price inflation but also of personal income taxes, which began to rise back in 1932, and of the "easy money" policy of the past fifteen years. Taxes and low interest rates have perhaps resulted in as many enforced rearrangements of life as price inflation. Some people have had to contend against the combination of all three.

The following table shows the striking differences in the experiences of selected classes of the population since 1930.

#### Extent to Which a Person Is Better or Worse Off Than in 1930 100=1930 Living Standard

	1930	1935	1940	1945	1947
Coal miner	100	104	131	176	791
Textile worker	100	103	107	127	139
Automobile worker	100	115	144	142	132
Printer	100	102	103	97	105
Railway worker	100	116	131	121	122
Railway executive	100	112	117	83	78
Teacher	100	107	120	103	109
Congressman	100	117	114	69	74
Pensioner	100	120	117	75	65
Bondholder	100	88	80	74	38
Small stockholder	100	64	86	65	79
Well-to-do stockholder	100	63	79	50	58
Wealthy stockholder	100	52	51	23	31

The coal miner has done far better than any other group. With the latest pay increase and the 1948 tax reduction, not reflected in the figures, he is twice as well off as he was in 1930. The farmer, too, has been favoured by the disproportionate inflation in the price of food and other agricultural commodities during and since the war. The farmer's gain, and that of the coal miner, have been partly at the expense of other citizens who must pay disproportionately more for their food and fuel.

#### Disparities Among Wage-Earners

Evidence from the Department of Commerce and other sources indicates that wage-earners in general have enjoyed gains since 1940 and 1930 a good

deal greater than those of the population as a whole. But this does not hold true for all groups of wage-earners. The printer, one of the very highest paid manual occupations, is not among those who have scored large gains but at least has been fully compensated for the rise in federal income taxes and in prices since 1930. The cotton textile worker, on the other hand, one of the lowest paying occupations in 1930, has enjoyed a gain in living standard of about 40 per cent since then. The automobile worker enjoyed disproportionately large gains from 1930 to 1940 but thereafter slipped back for a net gain over the seventeen years of 32 per cent. His recent wage boost, plus the 1948 tax reduction, doubtless have pulled him up further.

Within particular industries, a narrowing of income differentials has been cited as a discouragement to men to seek and accept supervisory responsibilities. This problem has arisen partly from the policy in many industries of favouring lower-paid employees in scaling "cost of living" pay adjustments, and partly from sheer economic pressure of strongly entrenched unions. In any case, the steeply progressive individual income tax takes a good deal of the glory out of more responsible posts and works to narrow differentials in pay after taxes.

#### Sources of Inequities

Adjustments in relative rates of pay, between industries and occupations, are inevitably part of the process of attracting enough people to a field of employment to meet the demands. Serious inequities arise when some group exploits labour monopoly or political power to extract for its own benefit disproportionate gains, when statutory salary adjustments are unwarrantably delayed, when tax policies are used to level down the rewards of success, or when the Government may seek to perpetuate an imbalance and spare a favoured group the pains of a return swing of the pendulum. One example of the latter sort is the policy of underwriting high prices for agricultural products by federal price supports. Another is the policy of underwriting the high cost of construction by the grant of huge appropriations for public works and by mortgage guarantees for home building.

Lagging wage or salary scales can create serious inequities during an inflationary period but they are nowhere near so serious as the inequities wrought on those whose money incomes do not increase at all or even decrease. The experience of pensioners and bondholders, as illustrated in the third chart, is suggestive of what has happened to some millions of persons living off the principal amount of their past savings or the interest income. The effective buying power of these savings has been destroyed to the tune of billions of dollars. For example, holders of the \$40 billion prewar public debt have had the value of their holdings, in terms of buying power, cut by 40 per cent or \$16 billion. A dollar saved five years ago lost 27 cents of its purchasing power. Such losses play havoc with all plans for future security, whether under in-

dividual, business, or government auspices.

To see how true this is one need only stop to calculate the diminishing value of pension rights to which a person may be entitled upon retirement. A recent study of the Committee on Public Debt Policy shows that, in spite of the large increases in the total volume of life insurance outstanding during and since the war, overall protection afforded has not kept pace with the rise in the cost of living.

The six per cent a year rate of inflation—the average rate of rise in the consumers' price index since 1939—is a moderate rate as price inflations go. But when the 2½ per cent rate of interest paid on government bonds is compared with this six per cent average rate of price inflation, it becomes clear how far the cards are stacked against the creditor and the saver. It has been calculated that \$100 realized today from a \$75 Savings bond purchased in 1938, will buy less than the \$75 would have bought in that year. And the 2.9 per cent return on the Series E Savings bonds is appreciably higher than the rates paid on government securities available to banks and insurance companies, rates which limit the interest accumulations which the latter can safely allow on savings entrusted to them.

#### A Dangerous Business

Month by month, year by year, people who have been considered, with justice, the mainstay of our society—the great middle class—have been rewarded for their prudence and self-reliance in steadily depreciating coin. These are the people who save for retirement, for the rainy day, for family security, as best they can with the resources at their disposal. They are the people who responded most generously to the calls for funds in the Loan drives of the war emergency. They are the people who pay most of the taxes. They are the people who provide wise leadership in community life all through the country. It is dangerous business, in a free society, to grind them down, take away their incentives, frustrate their efforts toward security.

Another alarming feature is that a trend of this sort at some point precipitates violent reaction. Inequities and maladjustments like these, as they become worse and worse, create the seeds of depression. Booms have always ended in crash.

Back of this inflationary trend are government policies of spending, lending, and guaranteeing which, more than any other single factor, have been responsible for our taut economy and for the spiralling of prices. The irony of it is that so much of this spending is pressed in the name of social welfare and liberalism. Yet those who see in such spending the menace to the security and freedom of the individual are classed as reactionary and insensible to humanitarian considerations.

\* \* \* \*

The National City Bank of New York  
(July-Letter on Economic Conditions and Government Finance).



# INDUSTRIAL REVIEW

## HONGKONG INDUSTRIAL REPORT FOR THE MONTH OF JULY Numbers of Factories & Workers

While in a few industrial groups a period of depression has set in and factory owners were compelled to reduce, to some extent, the number of workers, other manufacturers enjoyed excellent business conditions and their sales abroad were limited only by the capacity of their productive facilities. The most hard hit industry at present is the knitting and weaving one; sluggish offtake in Malayan and Siamese markets were mainly responsible for the slump in local production.

Generally, piece goods markets, after a period of scarcity, are now well and, indeed, overstocked and there is no incentive on the part of dealers to replenish stocks at current prices. The flow of cheap cotton yarn and cloth from the Chinese Govt. owned mills, mostly at Shanghai, and the expansion of Japanese cloth sales in Far Eastern but also other less discriminating markets are strongly militating against export sales of our local knitting and weaving mills. However, there are promising signs that more orders, especially from sterling area countries, are soon to make themselves felt and then there should be again a temporary boom.

### Cotton Mills

The prevailing high price level of locally manufactured cloth will soon undergo a change for the better with larger production of cotton yarn by Hongkong mills; at present only three cotton spinners are operating but another 4 will swing into production during autumn and other 2 mills may be working by early spring 1949. The following 3 cotton spinning mills are now producing:—South China Textile Co. Ltd., Peninsula Spinners Ltd., Nanyang Cotton Mills Ltd. (all are located in Kowloon). The 3 mills which are expected to start production during autumn are: Wyler Textiles Ltd., Hongkong Cotton Mills, Ltd., and South Seas Textiles Ltd. Of the remaining 3 mills no definite plans have so far been made known. There will be, however, around March next year 9 cotton spinning mills turning out yarn (and one or two also cloth in addition); 4 mills are located in the New Territories (of which one in Shatin).

### Prosperous Business

Good business has been reported by manufacturers of paints and lacquer who, as usual, are satisfied with overseas orders. The following manufacturing industries report capacity production during July:—metal window frames; iron foundries; general engineering repairs; charcoal irons; nails; vacuum flasks; enamelware; and hurricane lanterns.

Satisfactory production and sales results were reported from local manufacturers of:—embroidery, handkerchiefs and nappery; firecrackers; watch bands and straps; electrical fittings and switches (bakelite made); rubber toys; matches; rattanware and furniture; bambooware; pottery; torch cases and torch bulbs; pencils.

The rubber shoes production is dull on account of import restrictions imposed in Manila, one of the best markets previously.

### FACTORIES AND WORKERS

By the end of July, a total of 1,269 factories were operating in Hongkong of which number 1,074 had received a Govt. Certificate with the rest still waiting for official approval. In addition to these 1,269 factories there are an estimated 500 small factories and workshops doing business in the Colony which either are not liable to secure a Certificate from the Labour Office or otherwise have neglected to apply for the issue of the necessary documents (which is done only if official inspection was satisfied that operating conditions are in order).

During July, 17 industrial establishments have applied for the issue of a Certificate, the manufacturers being in the following lines:—

One abacus; one garments & shirts; three weaving; one motor bus; one laundry, one metal wares; two plastic goods (the factories being located in Kowloon);

And three printing shops; one biscuits & confectionery; one engineering supplies; one newspaper; one mahjong set maker (the factories being located on the Island of Hongkong).

### Registration Certificates:

	Certificates issued	Applications made
Jan./June	164	135
July	27	17
Jan./July	191	152

Per average month 27.28 Certificates have been issued by the Labour Office.

### Registrations and Applications as at July 31, 1948

	Hong-Kow	Kong	loon	Total
Applications received	354	1,103	1,457	
"    cancelled	38	150	188	
	316	953	1,269	

Hong-Kow-  
kong loon Total

Applications made in July	7	10	17
Applications cancelled	—	12	12
Registration Certificates Issued in July	8	19	27
Total Number of Registration Certificates Issued as at July 31	280	794	1,074

### Workers' Employment

By the end of the first half year of 1948 the total number of workers in registered industrial establishments of Hongkong was 58,716. This figure is smaller than at the end of the first quarter of this year and inferior to the number of workers employed as at the end of 1947. The reduction in employment of industrial labour during the current year reflects the lower requirements by the Royal Naval Dockyards in Hongkong and the recession in exports of locally manufactured goods.

	No. of workers	Reduction
Dec. 31, 1947	64,499	
March 31, 1948	60,650	6%
June 30, 1948	58,716	3.2% (9% against Dec. 31, 1947)

### Number of Workers employed as at March, 31, 1948

Average number of employees per factory: 53.06.

The leading employers were:—

Industrial group	No. of registered factories	Average No. of workers.
Shipbuilding	11	1033.3
Tobacco	3	408
Utilities	8	367.9
Cement works	1	310
Needles	1	285
Enamelware	2	222.5
Oil installations	3	205.3
Matches	4	193.7

Total number of workers employed as at March 31, 1948: 60,650, of which 35,770 male, and 24,880 female. Total of registered factories at that date: 1,143.

Of the total 1,143 registered factories and workshops 16.2% were knitting mills or 185 establishments. Next in number came the cotton weaving mills with 150 or 13.2% of the total.

They were followed by Metal ware factories 85 or 7.4%; Engineering works 71 or 6.2%; Printing companies 68 or 6%; Rubber ware manufacturers 48 or 4.2%; Garment and shirt makers 26 or 2.3%; and Saw mills 25 or 2.3%. The other factories accounted each for less than 2%.

Following are the number of factories as registered at March 31, 1948:



22 Flour and rice mills; 20 Glass manufacturers, 18 each iron foundries and torch case makers; 17 each Electric plating and biscuits and confectionery; 14 hosiery makers; 13 Electric bulbs;

12 each Medicines, Battery, Tin Cans; 11 each Shipbuilders and repairers, hats, buttons, ginger & fruits, dyeing.

9 laundries and dry cleaners; 8 peanut oil mills; 7 each soy sauce, newspapers, mirrors, perfumery, camphor wood furniture; 6 Rattan goods; 5 each feather sorting, bakelite ware, brick works, canned goods, ice making, aerated waters, cloth calendering, cotton weaving;

4 each matches, vacuum flasks, bean curd, distilleries, tanneries, paper cards; 3 each gourmet powder, sugar, cold storage, tobacco, cotton mills, thread, shoe laces, embroidery, shoes, pencils, tooth brushes;

2 each cassia sorting, meat (dried), silk weaving, furniture, paper dyeing, paper boxes, rubber tires, rubber

soles, toys, Joss sticks, building materials, mosquito sticks, twine, enamelware, bone grinding, marble works;

one each noodles, jam making, beverages, tapes, handkerchief, grass mats, gunny bags, fur processing, leather ware, printing ink, types, cement tiles, cement works, gypsum powder, rope work, cork (bottles), polishing compound, plastic wares.

#### Industrial Labour as at June 30, 1948

Industrial Group	No. of workers	Percentage
Metal & Chemical Industries .....	21,675	36.92
Basic Industries (Utilities) .....	2,970	5.06
Other Manufacturing Industries & Services .....	33,077	56.33
Non-manufacturing ind. & serv. ....	994	1.69
Total .....	58,718	

The principal employer is the textile industry with 13,269 male and female hands accounting for 22.6% of total industrial labour. The weaving and knitting mills are the mainstay of the local textile industry employing (at June 30) respectively 6,417 and 4,494 workers, accounting respectively for 10.93% and 7.65%.

The shipbuilding and repairing industry employs 9,881 workers, or 16.83% of the total.

Next in importance as employers of industrial labour are:—

Rubber goods factories: ...	4,401 workers, 7½%
Metal wares factories: .....	3,417 " 5.82%
Printing works: .....	3,167 " 5.4%
Public Utilities (industrial part) .....	2,970 " 5.06%
Torch factories: .....	2,248 " 3.83%
Tobacco factories: .....	1,269 " 2.16%
Engineering .....	1,219 " 2.07%

## HONGKONG INDUSTRIAL LABOUR

TOTAL NUMBER OF WORKERS IN REGISTERED AND RECORDED FACTORIES AND WORKSHOPS DURING THE SECOND QUARTER ENDING JUNE 30, 1948

(CLASSIFICATIONS ARE MADE ACCORDING TO GROUPS IN THE BRITISH MINISTRY OF LABOUR INDUSTRIAL ANALYSIS)

### GROUP I (METAL AND CHEMICAL INDUSTRIES):—

INDUSTRY	MALE	FEMALE	Total
Engineering:			
General Engineering: .....			
Engineering .....	1,157	45	1,202
Electrical Engineering: .....			
Radio sets (repairing & maintenance) .....	9	8	17
Total: Engineering .....	1,166	53	1,219

### Construction & Repair of Vehicles:

Motor Vehicles, Cycles & Aircraft: .....			
Garage .....	35	—	35
Total: Vehicles; .....	35	—	35

### Shipbuilding & Ship Repairing:

Shipbuilders .....	9,651	230	9,881
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### Other Metal Industries:

Stove, Grate, Pipe etc. & general Iron-founding: .....			
Foundry .....	497	29	526
Electric apparatus, cable etc: .....			
Electric bulbs for hand torches .....	133	232	365
Electric hand torch batteries .....	128	290	418
Other Metal Industries: .....			
Aluminium wares .....	14	—	14
Electro plating .....	183	57	240
Enamel wares .....	722	104	826
Metal wares .....	1,897	1,520	3,417
Needles .....	149	160	309
Silver refinery .....	—	—	—
Tin cans .....	293	188	481
Torches, electric, hand .....	633	1,615	2,243
Wolfram ore refinery ..	18	3	21
Total: Other metals .....	4,667	4,198	8,865

### Chemicals, Paints, Oils etc.,

Chemicals: .....			
Chemicals .....	44	15	59

INDUSTRY	MALE	FEMALE	Total
Dye stuffs .....	20	—	20
Manganese .....	51	16	67
Medicines .....	96	213	309
Zinc oxide manufacture (zinc powder) .....	1	—	1
Paint, Varnish etc: .....			
Paint .....	143	90	233
Oil, Glue, Soap, Ink etc: .....			
Camphor (oil & power) .....	20	9	29
Glue gelatine .....	11	—	11
Kerosene refinery .....	8	—	8
Oil installation .....	670	128	798
Peppermint oil .....	4	—	4
Soap .....	58	78	136
Total Chemicals: ..	1,126	549	1,675
Total: Group I Industries .....	16,645	5,030	21,675

### GROUP II (BASIC INDUSTRIES):—

Public Utilities (electric lights, gas works, tramways, telephone) .....	2,962	8	2,970
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### GROUP III (OTHER MANUFACTURING INDUSTRIES & SERVICES)

Food, Drink, & Tobacco: .....			
Grain Milling: .....			
Flour & rice mill .....	209	11	220
Bread, Biscuits etc: .....			
Biscuits & confectionery .....	511	279	790
Other Food Industries: .....			
Bean curd .....	74	13	87
Canned goods .....	147	127	274
Cassia sorting .....	55	99	154
Cold storage .....	266	7	273
Ginger & fruits (preserved) .....	108	293	401
Gourmet powder .....	115	58	173
Ice .....	56	19	75
Jam making .....	7	20	27
Meat (dried) .....	31	7	38
Noodles .....	10	4	14



INDUSTRY	MALE	FEMALE	Total
Peanut oil .....	163	12	175
Soy & sauce .....	260	115	375
Sugar .....	16	—	16
Drink Industries:			
Aerated waters .....	374	21	395
Beverages .....	15	4	19
Distillery .....	134	54	188
Tobacco, Cigarettes etc:			
Tobacco .....	344	925	1,269
Total: Food, Drink & Tobacco .....	2,895	2,068	4,963

<b>Textile Industries:</b>			
Cotton Spinning:			
Cotton mills .....	282	377	659
Cotton Weaving:			
Cotton .....	19	5	24
Handkerchief .....	6	13	19
Knitting .....	1,481	3,013	4,494
Shoe laces .....	21	51	72
Tapes .....	43	9	52
Thread .....	42	60	102
Weaving (cotton) .....	1,796	4,621	6,417
Silk, Rayon, Nylon etc:			
Weaving (silk) .....	326	224	550
Hosiery:			
Hosiery .....	67	274	341
Hemp, Rope, Cord etc:			
Grass mats .....	16	10	26
Gunny bags .....	7	—	7
Rope works .....	96	32	128
Twine .....	15	15	30
Other Textiles:			
Cloth (calendering) .....	131	8	139
Textile bleaching, Dyeing etc:			
Dyeing .....	195	14	209
Total: Textile .....	4,543	8,726	13,269

<b>Leather, Leather Goods &amp; Fur:</b>			
Tanning, Currying etc:			
Fur processing .....	12	3	15
Tannery .....	131	—	131
Leather Goods:			
Leather wares .....	—	—	—
Total: Leather .....	143	3	146

<b>Clothing Industries:</b>			
Shirts, Collars, Underclothing etc:			
Garments & shirts .....	171	325	496
Hats & Caps:			
Hats .....	134	363	497
Other Dress Industries:			
Buttons .....	85	100	185
Embroidery .....	—	14	14
Boots, Shoes etc:			
Shoes .....	88	15	103
Total: Clothing .....	478	817	1,295

<b>Woodworking etc:</b>			
Furniture:			
Furniture .....	70	4	74
Sawmilling:			
Saw mills .....	317	1	318
Wood Boxes & Cases etc:			
Camphor wood trunks .....	208	—	208
Total: Woodworking .....	595	5	600

<b>Paper, Printing etc:</b>			
Paper & Paper Board:			
Paper (dyeing) .....	82	27	109
Paper cards .....	47	75	122
Card Boxes, Paper Bags etc:			
Paper boxes .....	18	7	25
Stationery Requisites (not paper):			
Pencils .....	13	93	106
Printing ink .....	5	—	5
Printing, Publishing & Book-binding etc:			
Newspapers .....	594	11	605

INDUSTRY	MALE	FEMALE	Total
Printing .....	2,311	856	3,167
Types .....	13	2	15
Total: Paper, Printing .....	3,083	1,071	4,154
<b>Brick, Tile, Pipe etc:</b>			
Brick works .....	378	106	484
Cement tiles .....	46	11	57
Cement blocks .....	83	27	110
Total: Bricks .....	507	144	651

<b>Glass &amp; Glass Bottles:</b>			
Glass Manufacture:			
Glass .....	559	112	671
Mirrors .....	76	1	77
Glass Bottles:			
Vacuum flasks .....	132	61	193
Total: Glass .....	767	174	941

<b>Other Manufacturing Industries:</b>			
Cement, Whiting etc:			
Cement works .....	284	26	310
Gypsum power .....	5	—	5
Rubber:			
Rubber tyres .....	46	98	144
Rubber tyres soles .....	25	—	25
Rubber wares .....	1,115	3,117	4,232
Brushes & Brooms:			
Tooth brushes .....	45	20	65
Toys & Games:			
Toys .....	6	25	31
Other Industries:			
Bakelite wares: .....	55	59	114
Cork (bottles) .....	5	10	15
Face powder .....	24	8	32
Feather (sorting and cleaning) .....	86	180	266
Fire crackers .....	50	150	200
Fishing hets .....	5	28	33
Ivory wares .....	12	—	12
Joss sticks .....	18	185	203
Matches .....	291	631	922
Mosquito sticks .....	14	22	36
Perfumery .....	52	66	118
Plastic wares .....	3	—	3
Polishing compound .....	2	—	2
Rattan .....	204	50	254
Umbrella making .....	12	24	36

Total Other manufacturing Industries ..	2,359	4,699	7,058
<b>Total: Group III Manufacturing Industries</b>	<b>15,370</b>	<b>17,707</b>	<b>33,077</b>

### GROUP III (NON-MANUFACTURING INDUSTRIES AND SERVICES).

<b>Laundry &amp; Dry Cleaning:</b>			
Laundry .....	236	37	273

<b>Motion Pictures:</b>			
Motion Pictures, Film studio .....	150	3	153

<b>Miscellaneous:</b>			
Bone grinding .....	10	2	12
Construction work .....	500	—	500
Grinding of semi-precious stones .....	8	—	8
Marble works (cutting & polishing marble) ..	32	16	48
Total Miscellaneous: .....	550	18	568

<b>Total: Non-Manufacturing Industries</b>	<b>936</b>	<b>58</b>	<b>994</b>
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<b>Total Group III</b>	<b>16,306</b>	<b>17,765</b>	<b>34,071</b>
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<b>GRAND TOTAL OF ABOVE:—</b>	<b>35,913</b>	<b>22,803</b>	<b>58,716</b>
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	III	24	508
	III	26	553
	III	29	620
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	IV	10	241
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## IRON & STEEL INDUSTRY

The havoc brought about by the Pacific War and the conditions following the present civil war and chaos in China have lead to an acute shortage of houses now prevailing in this Colony. After three years of recovery and rehabilitation, the housing difficulty has not yet been overcome. The local government has announced that for 1948 and 1949, a total of about 120,507 tons of iron and steel will be required by all building concerns in the construction of new buildings. Due to the stringent export regulations in foreign countries, imports of metal into Hong Kong remain inadequate to meet all local requirements and consequently this deficit has to be made up locally, thereby offering an unusual opportunity to the iron and steel factories in Hongkong.

While five to six factories are now preparing to commence the production of square, round and flat steel bars for constructional purposes, there is at present only one factory in operation which supplies the local builders.

This factory, utilising two melting ovens, produces about 30 tons of metal per day, i.e. approximately 1000 tons monthly, which comprise all dimensions and sizes of steel rods and bars. An order for 500 tons of steel ribs has been placed with this establishment by the Hong Kong Government. In addition to a quantity of over 100 tons of metal required for the new Hong Kong Telephone Company Building which is now under construction, the factory is supplying over 100 tons for a new building being now constructed in Jordan Road.

Besides the supply of metal bars to building contractors, a large portion of the demand for iron and steel required by metal goods factories is being furnished by this concern. The local steel factory has been doing prosperous business ever since their operation after the cessation of hostilities.

The question of supplying the necessary raw material to this factory has been locally solved as enormous quantities of scrap are available from the many sunken ships salvaged in the harbour. It is estimated that about 100,000 tons of metal may be obtained in this manner of which 70% are usable for melting and treatment. Furthermore, large numbers of vessels have been sunk in the waters surrounding the Philippines, Indochina and Malaya and they are awaiting salvage operations. In fact, volume orders for the purchase of such retrieved metal have been placed by local metal goods factories.

As far as their quality is concerned, locally manufactured metal bars can compete with those from abroad as evidenced by various examinations found satisfactory by the Building authorities.

\* \* \*

## TIN CAN INDUSTRY

The industry of tin can making had commenced over 30 years ago, and there are at present 7 to 8 factories in operation. The following two are among the major manufacturers in

this line:— *Cheung Hing Wo Can Co.*— Having been established in 1926, this factory can produce 1000 kerosine cans in addition to 4000 other types of cans per day.

*Hong Yuen Can Manufacturing Co.*—This establishment was founded in 1927 and their monthly output is 5,000 large size cans 30,000 small size cans which are used for the packing of ointment, dyestuffs tea leaves, boot-polish, etc.

The tin can industry, like all other industries, was on a gradual decline after the cessation of the second world war. During prewar days, when the requirements for practically all commodities made locally were always brisk in the Far Eastern countries, the demand for tin cans was likewise on the increase. When their business was at its height, the monthly turnover of all factories ranged from HK\$ 600,000-700,000 while the transaction of one large manufacturer alone in this line was \$300,000 which was an enormous amount before the war.

Apart from being consumed here, tin cans are mainly exported to Malaya, Thailand, Burma, India and China. In consequence of the shortage of the necessary materials and less demand for locally made products in other countries, the current business is, on the whole, very dull when compared with the prewar scale.

After the termination of hostilities, tin plates which are the chief and mostly needed material in this industry, were distributed to all nations in accordance with allocations fixed by the International Tin Committee and quantities thus made available were insufficient to meet the requirements of local factories. Despite allotments made to them by the Dept. S.T. & I., the shortage of tin metal plates was still not overcome and consequently the price was exceedingly high.

From the beginning to the middle of last year, the local demand for tin cans was quite large, but due to the unavailability of the required quantities of tin plates, their business which could have been flourishing, has thus been hampered.

There are many kinds of locally prepared foodstuffs for which tin cans are used as containers, e.g. fish, meat, gourmet powder, confectionery, biscuits, preserved fruit, pickles, preserved ginger, preserved vegetables, peanut oil, lacquer and paint etc. Though the demand for tin cans is very large, the business of tin can manufacturers is on the weak side for the reasons just stated. At present the monthly output of all factories averages \$400,000, which is a small figure compared to the output values before the war.

To export empty tin cans is another difficult problem as restrictions are being imposed on the imports of such articles into China who was a regular and great consumer before the war. Again due to the rapid depreciation of China's legal tender, the disappearance of locally made tin cans is not unusual in that country where commodities of any type are hoarded.

At present the problem of the shortage in tin plate supply has been solved



as facilities have been given to importers of tin plates to obtain official foreign exchange through the S.T. & I. from Exchange Control. Adequate allotments of these materials by the Govt. have been assured. The future prosperity of the industry will therefore depend upon the sale of locally manufactured tin cans and tinned food products in foreign markets.

The more the local industries can expand the export sales of such products as canned fish, biscuits, paints etc., the better will be the prospects of the tin can factories in Hongkong. A competitive price will, generally, provide sufficient foreign orders but the tin can industry alone cannot decide a lower price of canned foodstuffs and other products; the cooperation of the processing industries here is necessary—for their own and the tin can industry's benefit.

Apart from being consumed in this Colony, locally produced metal bars have been exported to India, the Philippines, Thailand and British Africa. However, export regulations have prevented their unlimited shipments as only 25% of the local output is permitted to be exported by factories direct to other countries. Petitions have been submitted to the S.T. & I. to increase the existing export allocation but without avail. As a matter of fact, the actual requirements for metal bars of local building enterprises are far below the figures estimated by the Hong Kong Government. Under such conditions, the ban on exports of metal bars from this Colony cannot be lifted.

## FOOD CANNING INDUSTRY

Fast coming up to take its place among the Colony's leading industries is that of food canning. There are no less than 4 major factories in operation with a large number of other small ones. Of these the largest and the oldest is the Amoy Canning Corporation Ltd., which was first started in Amoy in 1908. A branch factory was established in Hongkong sixteen years ago, and although the late war years took extensive toll of the Company's property, their energetic enterprise in rehabilitating it and introducing scientific methods and better equipment have given the Colony the most up-to-date factory in the Far East. At the Exhibitions held in India, Canada, London, Germany and Panama and other cities when local products were exhibited, high praise was received. Four retail stores were recently opened by the Company to supply local requirements. Exports go to the Far East, Europe and America.

The method of manufacture of soy sauce here is well advanced. All over China soy and other sauce making has always been very crude. Black beans which come mostly from North China are left in jars to ferment until they are broken down to the constituents of soy sauce. Thus thousands and thousands of jars of these beans are left in the open and the contents are

often destroyed by different kinds of moulds when the weather is too damp. It takes as long as two years to obtain a first quality sauce by this primitive method.

The Amoy Canning Co. has now built a new block of five storied-chambers where the temperature can be regulated for the culture of the black beans until the specific mould has been produced. It is estimated that this will hasten the process from two years to about 2 months. A steam sterilizer sterilises the product.

## CEMENT PRODUCTION

There is one cement factory operating in Hongkong, the Green Island Cement Co. Ltd., a public company the shares of which are a medium of investment and active speculation on the local stock exchange market. The British operated plant has suffered considerable damage and looting during the enemy occupation but has been rehabilitated to such degree that the output now exceeds 50,000 tons of cement per year. On account of the shortage experienced with regard to most building materials, in particular cement, the whole production of the local factory has been taken up by the Colony.

Since the resumption of operation by the local cement company the price for cement has been drastically lowered. About a year ago the black market price per bag (one cwt) of cement stood at \$13 against an official price of \$7.50. When the local factory started supplying the local market, putting out every day about 150 tons, the price of the open market cement successively sagged until it was brought in line with the officially decreed price. Current prices are: Green Island cement, per cwt, bag, \$7.20; Indochina cement, 94 lbs. bag, \$5.80/5.90; Japanese cement, 100 lbs. bag, \$5.90; Tientsin cement (one cwt) \$6.30.

### Production & Uses of Cement

In making hydraulic cements the limestone employed is sometimes naturally "hydraulic," that is, capable of yielding a lime which will set under water. Hydraulic limestone (containing 70 to 80 per cent. of calcium carbonate, 12 to 17 per cent. of silicate, and a small proportion of alumina and iron), however, is not as abundant as ordinary limestone, and therefore the latter is most commonly used in making cement, the material necessary to cause the cement to be hydraulic being added as required. Of the numerous varieties of hydraulic cement, portland cement is the most important.

In making portland cement, limestone and fluviatile mud or clay are mixed together in certain definite proportions; blast furnace slag, rich in alumina and silica, is sometimes used instead of clay. The materials may be incorporated dry or wet. In the dry process the correct proportion of material is mixed, crushed, ground to a powder, and then fired in a kiln. In the wet process, which is much more commonly used, the material is mixed in the required proportions, ground thoroughly, mixed with water until a

paste is formed, pressed into brick form, placed in a kiln (where it is burned to a clinker), and then reduced to a very fine powder by being passed through rotating drums or cylinders which contain chilled-iron balls or pieces of quartz or flint. The powdered material, which, to be of any use as cement must be exceedingly fine, is then ready for use.

Very good portland cement is made in China by the Chee Hsin Cement Company (Tangshan, North China), by the Onoda Cement Company (near Dairen), and also at Ta-yeh and various other places.

The well-known Green Island cement is made at Hongkong from limestone and mud brought from the delta of the Pearl River. Cement is packed for the Chinese market in casks containing about 375 pounds net, six casks being calculated as 1 ton.

Cement should be grey in colour, with a slightly greenish blue tint. A blue-grey colour indicates that the cement is well burnt and that it will be slow in setting; a brownish tint, that it will be quicker setting but weaker. When rubbed between the fingers, cement should feel smooth and silky, without any trace of grittiness.

In testing the quality of cement the following points are taken into consideration: specific gravity, fineness, time of setting, tensile strength, and soundness.

**Specific Gravity.**—The specific gravity of cement varies from 3 to 3.17; some engineers reject cement that has a lower specific gravity than 3.10. The specific gravity can be found by means of the ordinary specific bottle and a beam scale.

**Fineness.**—In good cement there should not be more than 0.5 per cent. by weight of residue when the cement has been passed through a sieve containing 50 holes per lineal inch; not more than 5 per cent. of residue when passed through a sieve having 76 holes per lineal inch; and not more than 12 per cent. of residue when passed through a sieve having 100 holes per lineal inch.

**Time of Setting.**—The cement should not commence to set in less than eight minutes, and should set hard in not less than one hour and not more than five hours, or, for special purposes, 10 hours. The time required for setting varies with the quantity and temperature of the water used.

**Tensile Strength.**—Briquettes made of pure cement, mixed with the minimum of water on glass and placed in water 24 hours after gauging, must bear a tensile strain of not less than 350 pounds per square inch after three days, 450 pounds after seven days, and 550 pounds after 28 days from the time of mixing. Briquettes made of three parts of standard sand to one part of cement by weight, treated as above, must carry a tensile strain of not less than 150 pounds per square inch at seven days and 250 pounds at 28 days. Regardless of how much greater strength may be developed at the earlier dates, both classes of briquettes must develop an increase of at least 50 pounds in each period. The tensile strength test is the one most relied on.

Cement may be roughly tested for tensile strength by making small bars



of uniform size from each of the various cements to be tested. These bars should then be kept under water for a week or so, and the transverse strength tested by the weight each bar will carry in the centre when the bar is suspended horizontally from the ends.

**Soundness.**—A pat of cement submitted to moist heat and warm water in the "Faija" apparatus for soundness must show no cracks or signs of expansion, distortion, or disintegration after 24 hours.

Other tests for soundness are: a piece of cement 2 or 3 inches in diameter and  $\frac{1}{4}$  inch thick should be mixed on a glass surface and allowed to set, after which it should be kept for a week under water at one temperature; if no cracks appear near the edge of the slab, the cement is fairly sound. Fill a thin glass bottle with semi-liquid cement and allow the cement to set; if the expansion of the cement breaks the bottle, the cement is not sound.

Portland cement is used in building and engineering operations, for making pavements, as an ingredient of concrete, etc.

## VACUUM FLASK INDUSTRY

During prewar years, locally made vacuum (or wrongly described thermos) flasks, being always able to compete with American and European products, were very popular in what the Chinese call the "South Sea Areas," in Africa and also South America; exports were mainly directed to those places.

The revival of this industry had been progressing with great speed after the cessation of hostilities in the Far East when large quantities of thermos flasks were required in the Far East, China and East Africa. Shortly after the liberation of Hong Kong, as sizeable orders were coming in, all factories in this line have done a prosperous business and reaping considerable profits.

In 1946 the price of a 2 pound capacity flask was \$160 or more per dozen and the profit gained by the factory was about 80%. The total production then fluctuated between 6,000 and 8,000 dozen per month.

However, the period of prosperity was a short one and at the beginning of last year, the export business commenced to show weakness as fresh shipments were pouring into the buying countries from other sources, e.g. Australia, U.S.A. and Shanghai. Since September, 1947, the price had dropped greatly, quoting then at \$60 per dozen. In spite of this remarkable change in price, the manufacturers did not suffer any loss as the cost price of the necessary materials was rather cheap.

The demand for the local vacuum flasks in Africa and Far Eastern countries was again on the increase during November last when volume orders were being received and the manufacturers again enjoyed a second period of prosperity.

At present, only a few thermos flask factories, each employing about 100 workers, are in operation and the com-

bined output is about 5,000 dozen per month. Locally made flasks are now chiefly exported to Malaya and Singapore, British Africa and to some extent to Latin America.

Many different kinds of chemicals are required for the manufacture of thermos flasks their cost being now about one third of the total cost price of flasks which ranges from \$40 to \$50 per dozen. Thus the current gross profit is about 25%.

## COSMETIC INDUSTRY

The cosmetic industry can be considered to be one of the duller and most stagnant industries of Hong Kong. At present, over 10 factories are in operation which give employment to about 1200 male and female workers. The products of the major manufacturers, e.g. Bakilly, Kwong Sang Hong, Sincere and Standard, apart from being consumed locally, had previously enjoyed popularity in French Indo-China, Thailand, Singapore, Dutch East Indies and other Far Eastern countries to which places local exports were chiefly directed.

After the liberation of Hong Kong, while preparations were being made to replenish the considerable losses suffered by these factories during the enemy occupation, and before the revival of this industry had reached a significant extent, fresh shipments of foreign goods were being unloaded in large quantities, mostly from U.S.A. as well as from Australia. After a lengthy period of absence, foreign cosmetics which were superior in quality and comparatively cheap in price, had doubtless been much appreciated by all thereby resulting in stagnation to this industry.

The local manufacturers' business was confronted by the difficulty of obtaining the necessary materials at less expensive prices like vaseline and perfumes which had to be ordered from abroad. At the same time, as the cost of labour, the necessity to improve design and printing of boxes, and bottles labels etc. increased local costs, workers being paid on the whole 10 times the prewar rate, the prices of cosmetic products were therefore unable to compete with those of imported toilet articles. This condition further worsened as cosmetics have been included in the list of prohibited imports in many countries.

**The Sincere Co.**—Among the Chinese capitalized factories engaged in this line, the Sincere Co. is considered to be the leading and most efficiently operated one. The principal factory was established in Canton in the year 1911 on a small scale, and with a capital of HK\$1 million; branch establishments were subsequently set up in Hong Kong, Shanghai, Tientsin, Peiping and Nanking in 1922. Nine years later, branch factories were also founded in Singapore and Kuala Lumpur.

Their factory in Hong Kong, occupying an area of 18,000 square feet in Kennedy Town and possessing over ten units of machines for their specific uses, had given employment to over

200 workers before the outbreak of war, but the number has decreased to 130 workers who, at present, are being paid at a rate 6 times the prewar level.

Their products, which are mainly exported to Far Eastern Countries, comprise toothpaste, cold cream, hair cream, hair oil, perfumery, face powder, toilet powder, etc. while the supply of the China market can adequately be maintained by factories there.

In autumn last year, a new soap factory called the Majestic Soap Factory, which are the only local manufacturers of toilet soap here, commenced operation after being approved by Government. Being a branch of a Shanghai factory they possess modern machinery. At first, the daily production was 3600 dozen of toilet soap, packed in 300 cases each of which contains 12 dozens. By employing about 100 workers, their output was subsequently increased to 500 cases daily.

## WEAVING INDUSTRY

Weaving is the major textile industry of Hong Kong; knitting, hosiery, garment makers follow but before long cotton spinning may take the leading position.

In consequence of the large requirements for clothing materials in the Far East after the cessation of hostilities and the revival of this industry progressing with great speed, most of the weaving factories did prosperous business in and after 1946.

There are now altogether 750 cloth weaving factories operating here, both large and small ones, and about 300 are members of the Union of the Cloth Weaving Industry. In all, they possess 2560 electric machines in addition to a total of 4150 hand operated machines.

Employing about 60,000 male and female workers, the daily capacity production (one shift) of all factories is 280,000 yards of cloth at a consumption of 180 bales of cotton yarn.

The period of prosperity came to an end by the middle of last year when about 80% of the smaller factories with only hand working machines had ceased partial operation and, in fact, the majority had closed down.

Larger factories were able to continue operating but still their production has been reduced by 40% and many are working at alternating days. Consequently, the number of unemployed mill workers is now in excess of 20,000.

The slump in business can be evidenced by the fact that during February 1947, a total of 5,000 bales of cotton yarn were allocated by the Dept. S.T. & I. to all weaving mills but this quantity was not sufficient to meet their requirements. However, in May this year, the total amount supplied was only less than 500 bales per month and the S.T. & I. was requested to postpone this allocation as the mills' requirements were below this figure.

Exports of cloth are mainly directed to British East & West Africa, Near Eastern and Far Eastern countries, but



especially to Singapore; the market of that Colony causes most reverberating effects in the local market. Since large quantities of cloth had been imported into Singapore and Malaya from India and Australia, the demand for Hong-kong cloth has decreased remarkably. Furthermore, as from March 1, 1948, imports into the Netherlands East Indies have been restricted which has affected the production of local weavers who were previously shipping regularly fair to large quantities to Indonesia. The slump in weaving business in Hong Kong was also attributed to the large quantities of textiles imported from Japan to Singapore and the East Indies; about 150 million and 50 million yards of cloth have already been shipped by Japan to Singapore and Indonesia respectively.

In Africa, about 90% of the import of textiles originate in U.S.A. or Japan and preference given to American or Japanese goods seems prevalent among importers there.

Since large quantities of Japanese cloth have been shipped to Singapore in exchange for coconut oil and rubber, part of these Japanese imports began to flow also into Hong Kong, causing a drop in the price of cloth in the local market of 25% or over. At the same time, the price situation worsened as shipments of cloth have been entering Hong Kong from Shanghai and the Chinese prices are usually lower than local cloth prices by about 30%.

Prior to the Pacific War, the greater portion of the requirements of cotton yarn (about 6,000 bales equivalent to 2.4 million pounds per month) came from India, but the present import position has greatly changed.

## GAS PRODUCTION AND CONSUMPTION

During the first half year of 1948 the local Gas Company supplied the community with a total of 139,711,200 cubic feet of gas, viz. 10,550,100 cub. ft. for public lighting and 129,161,100 cub. ft. for general use.

The increase in consumption this year over last year, especially as regards public lighting, reflects the speedy return to normalcy in the life of the community. Consumption figures of June compared with the 1947 monthly average show that the overall increase amounts to 19%, that for public lighting 40%, and for general use 18%.

### HONGKONG CONSUMPTION OF GAS

	Monthly Average 1947	Total 1st Quarter 1948	April 1948	May 1948	June 1948
Public Lighting	1,328,567	4,954,900	1,825,000	1,912,800	1,857,400
General	17,033,392	67,601,600	21,071,200	20,498,700	19,989,600
Total	18,361,959	72,556,500	22,896,200	22,411,500	21,847,000

## ELECTRIC POWER PRODUCTION & CONSUMPTION

During the first half year of 1948 the two electric power companies of Hong-kong have supplied the growing requirements of the public and the industries of the Colony and produced, against the average of 1947, almost two thirds more current.

The high consumption of power especially by the factories reflects the increased activity this year against the 1947 average. Bulk supply consumers and Power consumers accounted for almost 58% of all electric current sold; against last year's average the increase in this year's power consumption is 185.4% and bulk supply consumption is up by 60.9% against last year.

Total consumption of electricity for the period Jan./June 1948

	Kw.hrs.	Per- centage of total	Increase in June 1948 over 1947 monthly average
Lighting	24,565,409	35.25	29.35%
Power	20,566,531	29.52	185.4%
Bulk Supply	19,655,142	28.2	60.9%
Traction	4,391,936	6.3	14.93%
Public Lighting	509,838	0.7	26.94%
Total	69,689,856		

The consumption in June this year of 12,401,515 kw. hrs. for all services represents an increase on last year's average of 63.45%.

### HONGKONG CONSUMPTION OF ELECTRICITY

	Monthly Average 1947 Kw. Hrs.	Total 1st Quarter 1948 Kw. Hrs.	April 1948 Kw. Hrs.	May 1948 Kw. Hrs.	June 1948 Kw. Hrs.
Lighting	3,298,718.00	12,009,995	4,186,067	4,103,654	4,266,693
Power	1,244,540.71	10,094,408	3,522,480	3,398,232	3,551,411
Traction	631,524.50	2,182,442	736,230	746,442	725,822
Bulk Supply					
Consumers	2,340,809.42	8,902,632	3,202,485	3,783,460	3,766,565
Public Lighting	71,710.92	246,680	84,235	87,899	91,024
Total	7,587,303.55	33,437,157	11,731,497	12,119,687	12,401,515

## HONGKONG PASSENGER TRAFFIC IN 1947 AND THE FIRST FIVE MONTHS OF THE YEAR OF 1948

During the first five months of 1948 passenger traffic against last year has improved; while the improvement in the movement of travellers by air has spectacularly increased over last year, the advance shown in the railway and ship returns of this year is encouraging and testifying to the general higher business activity in the Colony.

### Arrivals and departures of passengers in 1947:

By Rail:	inward	882,540	
	outward	1,018,092	1,900,632
By Sea:	inward	538,732	
	outward	534,996	1,117,728
By Air:	inward	43,608	
	outward	38,148	81,756
Total			3,100,116

More people left the Colony in 1947 than arrived. A total of 1,591,236 passengers left Hongkong by rail, sea and air during last year and 1,508,880 passengers entered the Colony, the balance being 28,356 for the year or a monthly average of 6,863 passengers.

### Arrivals and departures of passengers for the first five months of 1948:

By Rail:	inward	492,599	
	outward	557,130	1,049,729
By Sea:	inward	298,815	
	outward	291,693	590,508
By Air:	inward	40,383	
	outward	37,958	78,341
Total			1,718,578

More people left Hongkong this year than arrived here, the balance of outgoing over incoming travellers amounting to 55,196 for the period Jan./May or a monthly average of 11,039. The outward movement has been accentuated this year; compared with 1947 the emigration this year has been 61 per cent. higher.

Total arrivals for the first five months of 1948: 831,797; total departures 886,781.



**Increases in 1948 over 1947:**

Compared with the traffic figures of 1947 the returns for first five months of the current year show the following improvements:—

By Rail: inward 34%; outward 31%

By Sea: inward 23%; outward 31%

By Air: inward 122%; outward 139%

The advance for all three services in 1948 over the year 1947 amounts to 33 per cent.

**Population of Hongkong**

In the absence of census figures after the war one must rely on more or less

informed estimates as to the number of people now living in Hongkong. The highest but much exaggerated estimate put forward last year by some newspapers was 2 millions; official sources estimate the population in the Colony as at the end of 1947 around 1½ million; but since there has been a marked decrease in immigration of Chinese from Kwangtung and Shanghai it is safe to assume that the present figure should be less than 1½ million people. The above quoted figures showing a regular outflow of people from the Colony to Canton (the emigration takes place only by railway) suggest that the number of people in Hongkong is now receding.

**ELECTRICAL HYGROMETER IN COTTON INDUSTRY**

Scientists in Britain have developed a machine for use in the cotton industry which has allowed of a 10 to 15 per cent. increase in production. It measures the moisture content of the yarn by electrical means. Warp yarn, before going to the loom has to be specially treated by dipping in a size of starch and fat to prevent breakages in weaving. It is then dried to suit the humidity in the weaving shed to which it is going. If the moisture content is more than nine per cent. the yarn is likely to become mildewed while in storage.

It has been found that the skilled worker who tests the yarn for moisture between his thumb and finger usually allows a safety margin of two or three per cent., so that the moisture content is usually well below nine per cent.

Now the electrical hygrometer measures the moisture content of the yarn as it comes off the machine and registers it on a meter.

**Movement of Passengers in and out of Hongkong**

	Monthly Average 1947	Total Jan.-Mar. 1948	April 1948	May 1948
<b>By Rail:</b>				
Inward .....	73,545	268,600	132,370	91,629
Outward .....	84,841	325,814	130,684	100,632
Difference .....	-11,296	-57,214	+1,686	-9,003
<b>By Sea:</b>				
Inward .....	48,561	170,991	65,335	62,489
Outward .....	44,583	162,644	65,598	63,451
Difference .....	+3,978	+8,347	-263	962
<b>By Air:</b>				
Inward .....	3,634	19,656	9,602	11,125
Outward .....	3,179	18,940	9,053	9,965
Difference .....	+455	+716	+549	+1,160
<b>Totals:</b>				
Inward .....	125,740	459,247	207,307	165,033
Outward .....	132,603	507,398	205,335	174,050
Difference .....	-8,863	-48,151	+1,972	-9,017

**HONGKONG RAILWAY PASSENGER AND GOODS TRAFFIC**

While during the current year the number of passengers both in local traffic (from the Kowloon terminus through the New Territories to the border station of Lowu) and in foreign traffic (to Canton) has conspicuously increased and the Hongkong Govt. revenue from this source is larger than in 1947 (average month), the decline in the commerce of China has seriously affected the business of the railway. As exports to China have dwindled the freight figures of the local railway (Kowloon-Canton Railway, British Section) were expected to show decreases, however, the extent of the decline comes as a shock. Imports from China, on the other hand, have expanded in volume but the increase in freight moving from Canton to Hongkong has failed to make up for the big loss of revenue resulting from the decrease in exports to China.

Against the 1947 monthly averages the returns for the first five months of 1948 show the following increases:—

Passengers, in foreign traffic, up: 31% ;down: 34%.

**Kowloon-Canton Railway (British Section)  
Goods and Passenger Statistics**

	Monthly Average 1947 Nos.	Jan.-Mar. 1948 Nos.	April 1948 Nos.	May 1948 Nos.
<b>Passengers: Local</b>				
Upward .....	39,281	149,380	49,182	46,278
Downward .....	32,139	141,915	45,670	43,164
<b>Passengers: Foreign</b>				
Upward .....	84,841	325,814	130,684	100,632
Downward .....	73,545	268,600	132,379	91,629
<b>Goods: Local</b>				
Upward .....	86,840	244,350	144,760	23,745
Downward .....	281,832	449,090	159,080	177,330
<b>Goods: Foreign</b>				
Upward .....	10,295,666	11,457,420	3,759,750	3,440,210
Downward .....	351,000	9,728,000	1,975,000	60,000
* * * * *				
<b>Revenue: Passengers</b>	<b>H.K.\$</b>	<b>H.K.\$</b>	<b>H.K.\$</b>	<b>H.K.\$</b>
Local .....	65,982.58	281,117.95	78,046.20	73,644.30
Foreign .....	328,458.98	1,218,182.64	516,928.99	383,634.23
<b>Goods</b>				
Local .....	3,592.30	5,498.95	1,812.45	1,621.50
Foreign .....	64,250.97	96,694.13	26,680.52	13,599.56
<b>Miscellaneous Receipts</b>	<b>61,539.21</b>	<b>105,565.41</b>	<b>30,043.45</b>	<b>63,790.43</b>

**Goods Traffic**

For the first five months of 1948 the local railway handled a total of 31,618.7 metric tons of commercial freight, viz.

	tons	tons
In local traffic, up	412.8	
down	785.5	1,198.3
In foreign traffic, up	18,657.4	
down	11,763.0	30,420.4

Compared with the averages for 1947 the goods traffic has declined in local traffic as follows:

up freight: 5%; down freight: 44.2%.

In foreign traffic the 1948 statistics show a decline of 63¼% in the transport of commercial cargo from Hongkong to Kwangtung while the import of goods from South China via the railway increased this year over the 1947 monthly average by 570%.

**Passenger Traffic**

For the first five months of 1948 the total number of passengers handled by the local railway were: 1,525,318, viz.

In local traffic, up 244,840  
down 230,749 475,589

In foreign traffic, up 557,130  
down 492,599 1,049,729



## EXCHANGE & FINANCIAL MARKETS

### EARNINGS OF HONGKONG EXCHANGE CONTROL

Principal source of US\$ earnings are export bills for tung oil, silver and tin, 25% of which have to be sold at the official rate by shippers to authorised banks in the Colony. Another previously more important source, inward remittances from U.S. (mostly dispatched by overseas Chinese) has successively petered out. Other sources of earnings are insignificant.

Hongkong exports during the first six months of 1948 of the three so-called restricted exports to the US dollar area amounted to a total of HK\$ 24,428,740, viz. silver \$9,137,341, tung oil \$12,598,322, tin \$2,693,077. The respective US dollar earnings (25% of proceeds) from these three items should have been approx. US \$1,666,549, viz. US\$ 710,837 from silver, US\$ 787,395 from tung oil, US\$ 168,317 from tin export bills.

These earnings appear small considering the essential import requirements of Hongkong for industrial raw materials and construction materials from the U.S.

The Exchange Control also buys from exporters their US\$ bills if the commodities shipped to America are of Empire origin; in this case, the full proceeds have to be surrendered and are then transferred to the Sterling Area Dollar Pool in London. Previously, Exchange Control obliged only exporters of the following five articles to surrender the full exchange proceeds, viz diamonds, gunny bags, pepper, desiccated coconut, rubber; but the general practice since early this year is to permit the export to the Dollar area of any Empire produce or manufactured goods (except if originating in Hongkong) only on condition that full proceeds are surrendered.

The structure of Hongkong's exports to the U.S. has undergone considerable change since the middle of 1947 which was further accentuated this year.

The predominant position of tung oil exports in our trade with America — which accounted for 66% of total exports to the US for the first 3 to 4 months of 1947—suffered greatly and although still tung oil is the leading export article, accounting in Jan./June 1948 for 16.8% of all merchandise exports to the U.S., the gap between this industrial oil and other commodities has narrowed. When Exchange Control here imposed as from June 9, 1947, on tung oil exporters the obligation to surrender 25% of their proceeds at the official rate, it was expected that the trend of export business with the U.S. would not undergo so drastic a change as in fact it did and thus failed, to some extent, the objective of that particular exchange control measure, i.e. to obtain from the principal export commodity to the U.S. an adequate amount in US\$.

Silver shipments to the U.S., quite unexpectedly, became a major dollar earner for the Control; if not for the

silver import embargo in force in India, our previous leading customer, hardly any exports to New York may have been effected from here.

The policy of levying, as it were, an export tax on tung oil, silver and tin might now well be reconsidered in the light of the decreasing importance of tung oil in the export business of Hongkong. Either a larger number of export commodities should be required to surrender part of their US\$ proceeds—although at a rate lower than 25%, say, 10 to 15%—or all exports to the Dollar area should be made to sell a small percentage of their proceeds. An elastic scale could be introduced and ample reservations made for exemptions, particularly in the case of local manufactured goods and such commodities the sale of which in the Dollar area would be prejudiced by even a very small contribution to the local dollar earnings of Government.

Following are some leading export articles shipped from here to the U.S. in Jan./June 1948:—

Tung oil \$12,598,322 accounting for 16.8% of total exports to U.S.

Coconut oil \$3,708,920, 5% of total exports; mostly of Malayan origin with small lots from N.E.I. and Siam.

Bristles \$3,373,690, 4½%.

Tin \$2,693,077, 3.6%.

Teased oil \$2,151,320, 2.86%.

Wolfgram ore \$2,075,537, 2.76%.

Antimony \$1,803,252, 2.4%.

The pattern of trade with the U.S. has also considerably changed; while exports of commodities remain on about the same level, imports from America show a steadily growing tendency. The U.S. are now Hongkong's principal importing country accounting for 20½% of total imports. America's Trade with Hongkong (in millions of HK\$):—

	Imports	Exports	Balance
Year 1946	119.5	83.7	35.8
Year 1947	298.6	151.7	146.9
Jan./June 1948	201.0	75.1	125.9
	(first place)	(third place)	
	(20½%)	(10.77%)	

(Merchandise only; silver exports to the U.S. are not included in the above table).

\* \* \* \*

### THE BUDGET OF CHINA

Owing to the progressive inflation the state budget figures are unreliable; govt. estimates have to be periodically revised during a fiscal period (since beginning of this year a fiscal period is six months and it has been suggested in Nanking that a three month period be adopted).

The state expenditure and revenue for 1947 was estimated as follows:— (in trillions of Chinese dollars):—

	First budget	Revised budget	Actual
Expenditure	9.3	20	41
Revenue	7.4	10	11

The deficit as at Dec. 31, 1947 amounted to CN\$30 trillion.

In the above expenditure only part of the cost of war operations has been included; there is an extraordinary budget made for special military requirements arising from the civil war but these figures are never disclosed.

For 1948 the Govt. estimates were made for the period January to June as follows (in trillions CN\$):—expenditure 96, revenue 58. Again extraordinary military expenditure was not estimated.

Actual revenue and expenditure for Jan./June 1948 were different from the estimates but the results have not been published; it was however disclosed by members of the Legislative Yuan that May and June actual expenditure and revenue was approx.

	May	June
Expenditure	75	90
Revenue	15	20
Deficit	60	70

For the second half of 1948 the first budget was recently announced by the Finance Ministry at CN\$ 540 trillion expenditure and 300 trillion revenue. This estimate was subsequently revised to 323.6 trillion revenue and expenditure, and it was claimed by the Nanking Govt. that the ordinary budget for July/December 1948 will balance.

Out of the ordinary budget an amount of CN\$ 130.3 trillion has been set aside for military expenditure.

Revenue is estimated to come mainly from Chinese Customs duties, Commodity taxes and Govt. sales of properties (US surplus supplies, Japanese, German, Chinese puppet properties) with smaller amounts expected to come from the earnings of Govt. owned enterprises and part of the proceeds of "US Aid to China" commodity sales.

In Chinese financial circles the ordinary budget for the second half year 1948 is estimated to exceed 600 trillion expenditure and 300 trillion revenue (provided that Govt. sales of properties are effected). The extraordinary expenditure for the second half of the current year is estimated to be around 400 trillion, thus necessitating total Govt. expenditure for July/Dec. 1948 of about one quadrillion CN\$ (one thousand million million). The deficit at the end of 1948 is estimated to be around 700 trillion.

Should conditions in China worsen and inflation continue at a higher speed than at present, the above conservative estimates will have to be revised. It is however hoped, in financial circles friendly to the Nanking authorities, that the results of the sales of various properties by the Govt. and proceeds from US aid supplies will considerably slow the tempo of the bank note presses.

\* \* \* \*

### CHINESE BANK NOTE CIRCULATION

The prewar CN\$ equivalent in US currency was around US\$ 380 to 450 million. Equivalents in June 1937 (prior to start of the Sino-Japanese hostilities) was US\$ 423 million and one year after (1938) the equivalent was US\$ 364 million.



Chinese bank note circulation before, during and after the war—(the figures for 1935, 37 and 38 are official after 1938 no figures were divulged by the Chinese Govt. and only estimates are available).

In million millions (trillion)

December 31, 1938	0.000,830
June 30, 1937	0.001,444
July 31, 1938	0.001,726
end 1939	0.004,200
end 1940	0.007,800
end 1941	0.015,000
end 1942	0.024,000
end 1943	0.075,000
end 1944	0.190,000
end 1945	1,000,000
end 1946	4,000,000
end 1947	35,000,000
June 30, 1948	400,000,000

The current amount of Chinese dollars printed and issued by the Central Bank of China is believed to be in excess of one quadrillion; some estimates put the note issue at present at near 2½ quadrillion. (One quadrillion=1,000 trillion).

Last week's black market price per one US\$ was around CN\$ 12 million while the official price for an "export US dollar" (Certificate premium plus "open market rate") was around CN\$ 7.8 million.

\* \* \*

#### GOLD TRANSACTIONS

The trading situation has not changed except that shipments to China were much reduced which was due to the decline in the Hongkong/Shanghai remittance rate. Gold merchants were reluctant to ship to Shanghai where the price of gold wildly fluctuated in terms of TT New York. Arrivals in Macao were also reduced; only about 30,000 ozs were unloaded, most of it for account of Hang Seng Bank who however were not selling as they purchased the lot at a peak price.

Total transactions in the local market last week (in taels):—spot inside Exchange 9,280; spot outside 32,430; forward for delivery 448,130; forward for position clearing 479,920.

Highest & lowest prices, per tael, HK\$ 334½–329½. Crossrates moved between US\$ 51 to 51½.

While Canton quoted approx. same prices the Shanghai market started at US\$ 45 (crossrate per oz) went down to 45 but later reached 56. In terms of CN\$ millions one oz opened at 480 advancing daily as the Chinese currency continually depreciated, reaching at the close 620

#### US\$ TRANSACTIONS

Although sales picked up and demand was slightly improved the TT and draft quotations did not react much. The same situation as obtained in the earlier part of August was observed last week; merchant and gold importers' demand is very reticent. Arbitrageurs enlivened the market especially on the 10th and the 18th when strong turnovers in TT were recorded with US\$ 308,000 and 280,000 respectively.

The ban on sterling remittances between Hongkong and the U. K. which came into force as from July 26 has now been extended to cover the whole sterling area and therefore no more purely financial transfers from India, Singapore etc. to Hongkong will be possible. In every case the recipient of a remittance from any part of the sterling area will have to prove, in doubtful cases, to Hongkong Exchange Control the purpose of such remittance. Similarly, a remitter here will have to satisfy the Control as to the legitimacy of his transfer to any part of the sterling area provided such transfers are not in connection with bona fide trade. During the past months the inward remittance of sterling from London for exchange transactions, usually arbitrage, has been frequently observed.

Sales in the local market (in thousands of US\$):—TT New York 1,269; drafts 502; notes 351. Highest & lowest prices (per US\$ 100, in HK\$):—notes 555-540; drafts 532-522; TT 535-526 (or US\$ 18.69 to 19.01 per HK\$ 100). Highest & lowest local crossrates. US\$ 2.99-3.04.

Bank notes were in strong demand which caused a premium for notes over TT of 3½ to 3¾%. Shanghai was actively searching for US notes and crossrates in Shanghai for HK\$ at one time climbed over HK\$ 650, reaching 670 although during most daily session the crossrate moved around 570/590. Against the local note price the Shanghai crossrate was 5 to 20% higher. Apart from Shanghai interests anxious to buy larger lots of US notes here, some sales to Japan were also effected. There is an active black market in Tokyo dealing in bank notes but the insufficient supply there of US notes has led to inquiry in Far Eastern exchange markets.

#### CHINESE MONEY TRANSACTIONS

The decline in quotations for spot notes, TT Canton, Hankow and Swatow was on the average 30% while Shanghai slumped with less speed.

Highest and lowest prices in the local market (per CN\$ 100 million, in HK\$):—spot notes 107½-69, forward notes 96½-70½; TT Shanghai 60-49¾; TT Canton 96½-73.

Sales in the local native banks' market (in billions of CN\$):—

TT Shanghai	66,700
TT Canton	25,400
TT Hankow	29,000
TT Swatow	29,000
spot notes	19,300
forward notes	6,615

Shanghai opened at CN\$ 9.8 million per US\$ 1, and CN\$ 1.66 million per HK\$ 1. Highest prices respectively 12½ m. and 2.1 m.; closing prices respectively 11 m. and 2 million.

Exchange Surrender Certificate premium went up from CN\$ 6½ to 7.4 million per US\$ 1, amounting to 58 to 66% of the black market exchange rate.

Canton opened at CN\$ 1,080,000 per HK\$ 1, topped 1,220, closed 1,180,000.

The price of rice (per zah of 175 lbs) in Shanghai towards the end of last week moved between CN\$ 65 to 75 millions. According to this price and the general high level of commodity prices, the black market exchange rate of one US\$ ought to be around CN\$ 18 to 20 million. In comparison with the high cost of native produce in China foreign currencies are still undervalued on the black exchange market.

#### BANK NOTE MARKETS

Piastre prices ruled firm with steady buyers among Indochina merchants. Sales (in thousands of piastres): total spot 7,840; forward 9,426

Peso and Canadian dollar notes remained far behind the usual ratio to US\$; pesos selling from HK\$ 2.55 to 2.58, and Canadian dollars from \$ 4.70 to 4.74.

#### SILVER BUSINESS

Arrivals from Taiwan, Shanghai, Canton and Swatow were substantial which together with the lower New York price (73 cents per fine oz) brought the market down to \$ 3.90 per tael, 2.55 per dollar coin, and 1.90 per 20 cents coin. Canton was an active buyer of Chinese silver dollars as these coins are in eager demand by

### HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

CN\$ (per One Hundred Million)																
Aug.	Gold per Tael			Spot		Forward		Shanghai Canton		Notes	US\$ (per 100)		Pound			
	High	Low		High	Low	High	Low	T.T.	T.T.		Draft	T.T.	I.C.\$	Guilder	Baht	Note
9	333½	331½		107½	93	96½	92	59	96½	552	530	534	12.3	42	25½	14.3
10	332¾	331¼		93½	79½	83½	77	57	79½	551	528	531	12.4	42	25	14.1
11	332½	329¾		80	72	79½	75	53½	77	551	525	527	12¼	42½	25¼	14.2
12	331½	329½		81	79	77¼	75¾	55½	79	551	524	527	12.3	42	25.4	14.2
13	333¼	330¾		78½	71	74½	73	49¾	73	554	528	529	12¼	41	25.3	14.2
14	334½	333		76	69	73¾	70½	51	76	553	528	530	12¼	39½	25.3	14.2



the population who hold CN\$ in contempt. About \$ 4,000 worth of silver dollars go daily to Canton and further inland.

Sales in the native market amounted to (in HK\$):—ingots 125,000; dollar coins 13,300; 20 cents coins 97,000.

### SILVER EXPORTS AND IMPORTS OF HONGKONG

For the first six months of 1948:

Exports totalled a value of \$11,162,341; most shipments were effected to the U.S. with New York buying silver (in bars, ingots, coins) valued at \$9,097,841. Exports to the Philippines valued \$39,500. Only in June exports to India and the U.K. were resumed after a long period of suspension; exports to India valued \$1,695,000 and to U.K. \$330,000.

Recorded imports valued for Jan./June: \$71,393; from Macao \$25,993 and from Malaya \$45,400 worth of silver.

Hongkong Exchange Control requires silver exporters to the U.S. and the dollar area to surrender 25% of proceeds at the official rate. Accordingly, for the first six months of this year the Control bought from silver shippers \$2,284,335 or approx. US\$ 710,837.

Month by month silver exports in 1948 were:—

January	\$4,660,076
February	9,000
March	554,312
April	281,469
May	2,432,484
June	3,225,000

Silver Imports in 1948:—	
April	\$ 14,592
May	56,801

### CHARTERED BANK IN JAPAN

The Chartered Bank of India, Australia & China which had opened for business only its office in Tokyo until the beginning of the current month has now re-opened its two branches in Kobe and Yokohama as from August 9. The Kobe office is situated at 9 a, Kaigan Dori and the number of its P. O. Box is 452; the office in Yokohama is situated at 18/19 Nihonchodori, Naka-ku, with P. O. Box No. 284.

### GOLD AND US\$ IN JAPAN

The new military conversion rate for US\$ in Tokyo was fixed on July 5 at Yen 270 per US\$1. New gold and silver bullion official prices have been determined last week as follows:—one gram fine gold Yen 326; one kilo fine silver Yen 6.325. The official price of one oz. of gold is therefore Yen 10,140 equalling US\$37.56. The black market price for US notes and gold is higher than the official rate, gold selling usually at a cross rate of US\$50.

## HONGKONG STOCK & SHARE MARKET

Throughout the week, August 9 to August 13, the market continued depressed. Except for giltedges, such as Banks and Insurance shares and Govt. Loans, buyers were less in evidence. Consequently prices gave way gradually as will be observed by the slow decline of the daily averages without a rally.

The present dullness is due to the attitude of caution adopted by most traders in view of general uncertainties. A favourable outcome of the talks in Moscow will aid materially to restore confidence. To date there is no news that the outcome of those talks will not be favourable. However, despite all uncertainties a rally is about due, according to market observers. The main reason for this view is that the present price level is attractive when considered with earnings and dividend prospects.

Total sales reported during the week were less in quantity of shares, namely 41215, but the approximate value of \$1.6 million was unchanged compared to the previous period.

### Price Index

The Felix Ellis averages of twelve representative active local stocks sagged to a new low for the year of 141.27 at the close to show a net loss for the week of 1.20. Day-by-day his averages

were: August 9, 142.40; August 10, 142.40; August 11, 142.21; August 12, 141.66; August 13, 141.27.

The High and Low for 1947 were 155.82 and 123.88 respectively The High for 1948 was 148.68 on February 12.

### Business Done

GOVT. LOANS 3½% 1948 @ 101½.

BANKS: H.K. BANKS @ 2030, 2040, 2035; BANK OF EAST ASIA @ 140.

INSURANCE: UNIONS @ 770, 775; CANTON INS: @ 385.

SHIPPING: H.K. & M. STEAMBOATS @ 16½; U. WATERBOATS @ 35.

DOCKS & GODOWNS: N. P. WHARVES @ 9; H.K. DOCKS @ 30¼, 29¾, 29½, 29½.

HOTEL & LANDS: H.K. HOTELS @ 16, 15¼, 15¼, 15; LANDS @ 79¼; SHAI LANDS @ 4.60, 4½, 4.

UTILITIES: H.K. TRAMS @ 22½, 22¼, 21¾, 22; CHINA LIGHTS OLD @ 22¾, 22.40, 22½, 22.40, 22½, 22¼, 22, 21¾, 21½, 21 and New @ 17.15; H.K. ELECTRICS @ 42, 41, 40½, 39¾, 39¼, 39, 39¼, 39, 39¼; MACAO ELECTRICS @ 24½, 25; TELEPHONES @ 40¾.

INDUSTRIALS: CEMENTS @ 42, 41½, 40; DAIRY FARMS Old @ 47, 46½.

STORES: LANE CRAWFORDS @ 55; SINCERES @ 8.40.

## HONGKONG — JAPAN TRADE

It has been the policy of Hongkong Govt. Dept. S.T. & I. to authorise imports from Japan immediately and up to the full value of purchased export proceeds, i.e. Hongkong always keeps its forward position with Japan fully balanced. Owing to prompter deliveries from Hongkong there is usually a current balance in our favour which, of course, is a secondary phenomenon and not a deliberate aim of the Japan trade control (S.T. & I.).

As was reported in our last issue (p. 115) the difference between the official buying and selling rates, amounting to 1¼%, is regarded by merchants as unusually large but the reason for this is that the open account exchange transactions between Hongkong and Tokyo include a considerable element of commercial risk—especially in the abnormal conditions prevailing in Japan—which does not form a part of normal exchange transactions.

Interest by importers for more Japan commodities remains, in spite of the otherwise dull market conditions here, as brisk as ever but the limited exchange resources of Hongkong—determined by purchases of export proceeds and invisible exports—prevent any spectacular expansion of our imports from Japan. The two way open account basis of doing business with Japan, while it represents the probably best solution to the problem of trading with Japan at the moment, has amounted to an effective restriction on imports from Japan. As Japan is a highly industrialised nation capable and anxious to

supply the requirements of Far Eastern native populations but in turn only interested to purchase from those areas industrial raw materials and foodstuffs, resulting in a favourable balance of trade for Japan in normal times, Hongkong's commerce with Japan must necessarily develop according to the prewar pattern, i.e. heavier imports from, and relatively smaller exports to Japan. As it is at present, the trade with Japan must be balanced as no practical solution to the question of covering a potential trade deficit with Japan has been found during this period of "emergency trading."

Several local merchant houses have tried to finance their imports by purchasing on the free market TT New York and thus settling their accounts with the Japanese exporters. However, as far as Hongkong Govt. is concerned no import licence is being issued in case of purchases effected in Tokyo with free market dollars. Therefore, provided that the business can stand the premium over the official £/US\$ rate currently charged for free market US dollars, purchases made in Japan and paid with free market dollars cannot be shipped in transit to Hongkong but have to be exported directly to the country of destination.

In order to assist the local entrepot trade it might be considered useful to change the present official regulation prohibiting the import in transit of such Japanese goods which have been paid with free US dollars.



## HONGKONG'S IMPORTS & EXPORTS

### IMPORTS AND EXPORTS OF CHINESE MINERALS AND ORES: WOLFRAM ORE, ANTIMONY AND TIN

For the first half year of 1948

#### WOLFRAM ORE

Total imports: 21,551 piculs, valued \$7,160,580.

From: South China 18,641 piculs, \$6,220,799; Korea 1,007 piculs, \$358,080; Macao 1,903 piculs, \$581,701.

Total exports: 16,665 piculs, valued \$5,844,170.

To: U.K. 1,344 piculs, \$497,716; China 50 piculs, \$28,500; Sweden 588 piculs, \$232,260; U.S. 5,550 piculs, \$2,075,537; USSR 8,472 piculs, \$2,735,597; France 661 piculs, \$271,560.

In the first half year of 1947 total imports of wolfram ore were 6,573 piculs, \$794,278; and total exports 15,509 piculs \$2,677,074. Principal supplier was China (6,522 piculs) and principal buyers USSR (10,508 piculs), Sweden (2,771 piculs) and France (1,616 piculs).

While exports have only slightly improved this year over 1947, the heavy imports of wolfram ore during Jan./June this year are remarkable as they exceed by no less than 228% the first half year of 1947.

Imports in 1948 were heavier than exports which should have resulted in a further increase in the local stocks of this ore. When the local Govt. enforced at the beginning of the current year a registration of wolfram ore stocks the figure, as at January 9, was 27,619 piculs.

The Import & Export Dept. has issued export licences for wolfram ore during the first six months of this year to the amount of 35,907 piculs, but since only 16,665 piculs were actually exported, another 19,242 piculs await shipment after June 30.

#### ANTIMONY

Total imports: 11,647 piculs, \$1,760,202; from South China 11,612 p., \$1,753,202, and Macao 35 p., \$7,000.

Total exports 16,858 piculs, \$2,692,550, to: India 5,043 p., \$853,178, New Zealand 212 p., \$36,120, and U.S. 11,603 p., \$1,803,252.

First half year 1947 imports totalled 40,677 piculs, \$1,569,780, and exports 66,476 piculs, \$2,844,000. In the 1947 trade a larger percentage of antimony crude was responsible for the lower value in comparison with 1948 when more antimony regulus was shipped in and out of Hongkong.

Registered antimony stocks in Hongkong as at Jan. 9: 1,597 piculs.

Re-export licensed as at June 30: 18,349 piculs.

#### TIN INGOTS & SLABS

of Chinese origin

Total imports for Jan./June 1948: 8,291 piculs valued \$3,339,872.

From: South China 7,866 p., \$3,133,526, and Macao 425 p., \$206,346.

Total exports: 15,577 piculs, \$7,600,078, shipped to:

Country	Piculs	Value, \$
Canada .....	169	96,438
Germany .....	1737	822,372
India .....	5934	2,834,572
Philipp. ....	49	24,196
Switzerl. ....	231	114,540
U.K. ....	1088	513,922
U.S. ....	5361	2,693,077
South America .....	1008	500,960

In Jan./June 1947 tin imports were 11,157 piculs, \$3,569,185, and exports 22,703 piculs, \$8,281,560. While the quantity of tin handled was in 1947 considerably larger than this year, the advance in prices has kept values of tin imports and exports on a high level although also reduced when compared with last year.

Registered tin stocks as at Jan. 9: 14,329 piculs.

Re-export licensed as at June 30: 18,594 piculs.

Total value of wolfram, antimony and tin imports and exports for the first half year 1948:—

Imports \$12,260,654 or 1.24% of total imports.

Exports \$16,136,798 or 2.31% of total exports.

\* \* \*

## VEGETABLE OILS

#### Essential Oils:

#### ANISEED OIL

Total imports during Jan./June 1948: 2,046 piculs, valued \$879,185;

From: South China 1,714 p., \$715,713 and Macao 332 p., \$163,472.

Total exports 2,404 piculs, \$1,225,794, shipped to the following countries:—

Country	Piculs	Value, \$
Australia .....	45	24,687
Belgium .....	16	8,400
Brit. Empire Other .....	9	4,850
South Africa .....	3	1,764
Canada .....	9	4,725
France .....	538	279,833
Indochina .....	6	3,000
Malaya .....	47	23,625
Norway .....	6	3,385
Philippines .....	16	2,711
Switzerland .....	215	123,380
U.K. ....	1,282	637,375
Holland .....	50	27,060
New Zealand .....	9	4,960
U.S. ....	153	76,039

For the period Jan./June 1947 Aniseed oil imports totalled 1,966 piculs, valued \$821,873; and exports 2,928 piculs, \$1,375,315.

#### CASSIA OIL

Total imports: 364 piculs, valued \$321,552, from: Ceylon 5 piculs, \$2,000; South China 210 p., \$178,350, and Macao 149 p., \$141,202.

Total exports: 313 piculs, \$334,438, shipped to:

Country	Piculs	Value, \$
Australia .....	9	9,556
Canada .....	9	10,080
France .....	7	8,000
Holland .....	3	3,300
N. E. I. ....	1	320
U.K. ....	46	54,453
U.S. ....	229	238,649
Switzerl. ....	9	10,080

First half year 1947 Cassia oil imports 216 piculs, \$249,159, and exports 319 piculs, \$375,537.

#### LINSEED OIL

Imports in Jan./June 1948: 2,109 piculs, \$328,696, from: India 550 p., \$93,303, Malaya 129 p., \$17,013, North China 10 p., \$1,560, Canada 1,279 p., \$199,720, Siam 141 p., \$17,100.

Total exports: 608 piculs, \$108,677, to: Indochina 336 p., \$62,757, Macao 30 p., \$4,131, Siam 211 p., \$39,289, Philippines 31 p., \$2,500.

#### SESAMUM OIL

Total imports: 182 piculs, \$25,275, from: Siam 56 p., \$6,720, and Macao 126 p., \$18,555.

Total exports: 314 piculs, \$72,993, shipped mainly to U.S. 103 p., \$27,370, Malaya 96 p., \$24,886, Philippines 62 p., \$11,125.

#### TEA SEED OIL

Total imports in first half year 1948: 18,512 piculs, at \$2,209,870, from South China 16,806 piculs, \$2,038,630, and Macao 1,706 p., \$171,246.

Total exports: 16,624 piculs, \$2,510,211, shipped to:

Country	Piculs	Value, \$
Belgium .....	336	50,400
Italy .....	1,962	296,360
Malaya .....	6	500
Nacao .....	64	5,120
Switzerl. ....	34	6,511
U.S. ....	14,222	2,151,320

In Jan./June 1947 imports totalled 78,516 piculs, at \$11,585,312, and exports 54,505 piculs, at \$10,733,267. The decrease this year in tea seed oil trade has been conspicuous.

#### OTHER OILS (MAINLY RAPESEED OIL)

Total imports: 53,931 piculs, at \$6,785,471, from the following countries:—

Country	Piculs	Value, \$
Malaya .....	1,773	217,431
China .....	35,483	4,546,870
Macao .....	15,963	1,939,242
Philippine .....	496	50,090
U.S. ....	29	2,400
U.K. ....	67	15,636
Siam .....	120	16,800

Total exports: 57,160 piculs, valued \$7,629,109, shipped mainly to U.K. 23,943 p., \$3,292,053, Switzerland 20,160 p., \$2,615,000.

Registered stocks of rapeseed oil as at Jan. 9: 82,852 piculs.

Licensed for re-export as at June 30: 114,964 piculs.

#### COCONUT OIL

Total imports Jan./June 1948: 127,104 piculs, at \$15,346,531, from:



Country	Piculs	Value, \$
Malaya .....	110,077	13,206,764
N.E.I. ....	2,655	441,808
N. Borneo .....	2,418	274,639
Siam .....	7,699	1,015,000
Indochina .....	3,452	331,874
Brit. Empire Other	252	25,200
Macao .....	545	50,316
China .....	6	930
Total exports:	111,258	piculs, at

\$13,629,215 shipped to:—

Country	Piculs	Value, \$
Belgium .....	5,880	781,000
China .....	32,706	3,711,602
Canada .....	4,200	561,540
Egypt .....	5,258	553,180
Holland .....	6,732	939,960
Japan .....	554	60,412
France .....	1,650	235,000
Italy .....	2,490	356,800
Macao .....	687	75,432
S. America .....	4,622	327,360
S. Africa .....	2,462	327,360
Switzerl. ....	10,229	1,310,442
U. K. ....	1,680	242,000
U. S. ....	29,988	3,708,920
Korea .....	2,120	207,054

In the first half year of 1947 imports totalled 104,988 piculs, at \$11,146,430, and exports 130,294 piculs, at \$13,120,716.

## TUNG (WOOD) OIL

### (1) In Bulk

Imports in Jan./June 1948: 18,538 piculs, at \$2,154,979, from China (North 6,439, and South 12,099 piculs).

Exports: 126,355 piculs, at \$17,546,644, shipped to:—U.K. 34,225 piculs, \$5,099,327; Holland 3,024 p., \$450,000, and U.S. 89,106 p., \$11,997,317.

### (2) In Drums

Imports: 177,897 piculs, at \$21,039,171, from: Burma 422 p., \$58,200, Macao 5,863 p., \$708,236, South China 171,209 p., \$20,215,445, North China 403 p., \$57,290.

Exports: 63,715 piculs, at \$9,651,511, shipped to:—

Country	Piculs	Value, \$
U.K. ....	23,774	3,601,979
U.S. ....	3,988	601,005
Italy .....	554	83,610
Switzerl. ....	168	85,800
Australia .....	14,888	2,272,200
Belgium .....	1,175	163,580
British Empire,		
Other .....	504	75,600
Canada .....	473	70,311
Holland .....	1,428	212,490
India .....	1,462	222,302
Malaya .....	490	74,821
N. Zealand .....	1,610	254,321
N. Borneo .....	74	10,803
Norway .....	4,395	641,042
Siam .....	73	10,925
Sweden .....	7,113	1,037,340
S. Africa .....	1,546	233,382

Total tung (wood) oil imports during Jan./June 1948: 196,435 piculs, valued at \$23,194,150.

Total exports: 190,070 piculs, at \$27,198,155.

In Jan./June 1947 tung oil trade amounted to: imports in bulk and

drums 312,831 piculs, at \$57,252,880; and exports 324,780 piculs, at \$65,338,869.

The decline this year in the tung oil trade of Hongkong as against last year has affected many commercial, banking and shipping interests in the Colony. It reflects both the depression in China, the failure of the Chinese export drive and the effectiveness of the assistance rendered by the Hongkong Govt. to the Nanking authorities in the clamping down on unrecorded tung oil exports from China into Hongkong. The Hongkong enforced control has had detrimental effects on the trade and is therefore disliked.

The decrease in this year's tung oil trade amounts to 37.2% in quantity of imports, and 59.5% in value of imports; and to 41½% in quantity of re-exports, and 58.4% in value of re-exports as compared with the first half year 1947.

Hongkong registered stocks as at January 9: 79,624 piculs.

Licensed for re-export during Jan./June, as at June 30: 264,045 piculs. A quantity of 73,975 piculs is the difference between the actually re-exported and the export-licensed tung oil for the first half year 1948.

Average monthly imports of tung oil in 1948: 32,739 piculs (against 52,132½ piculs in Jan./June period 1947); average monthly exports in 1948: 31,678 piculs (against 54,130 piculs last year's average).

\* \* \* \*

## Importance of Vegetable Oil Trade in Hongkong's Commerce

The import value of vegetable oils, as listed above, amounted for Jan./June 1948 to \$49,090,730 or 5% of total Hongkong imports; and the export value of vegetable oils amounted to \$52,708,592 or over 7½% of total exports.

\* \* \* \*

## TIN PLATES

Imports during Jan./June 1948 amounted to 89,756 piculs, at \$4,633,451, imported from U.K. 28,434 p., \$1,874,078, and the U.S. 61,322 p., at \$2,759,373.

Exports totalled 8,657 piculs, at \$519,782, shipped to:—China 7,990 piculs, at \$462,362, Macao 14 p., \$420. Siam 653 p., \$57,000.

Last year Jan./June, imports of tin plates amounted to 69,630 piculs, exports 14,626 piculs. The local industry (food canning and ship repairing primarily) is the major buyer of tin plates which are shipped here under world allocation quotas. The larger imports effected in 1948 reflect increased activity in the local tin plate consuming industry.

\* \* \* \*

## RAW RUBBER

Imports in Jan./June 1948 amounted to 129,910 piculs, at \$12,394,559, imported from the following countries:—

Country	Piculs	Value, \$
Malaya .....	83,414	8,323,888
N.E.I. ....	24,584	2,376,958
Indochina .....	18,443	1,401,305
N. Borneo .....	2,143	166,033
Siam .....	152	13,770
British Empire		
Other .....	421	37,488
Ceylon .....	17	1,868
Macao .....	671	56,949
U.S. ....	65	16,300

Exports amounted to 76,838 piculs, at \$7,073,868, shipped to:—

Country	Piculs	Value, \$
China .....	58,321	5,270,512
Macao .....	411	27,440
U.S. ....	2,934	301,982
Korea .....	10,113	951,258
Egypt .....	3,360	337,680
Iraq .....	1,670	181,440
Malaya .....	29	3,556

In Jan./June 1947 total imports amounted to 241,336 piculs, at \$25,286,223, and exports were 159,879 piculs, at \$16,443,234.

Before the war the Colony's rubber trade was very small; in the years 1938 to 1940 aggregate imports were 117,214 piculs (mostly for the use of Hongkong's rubber goods industry) and aggregate exports for 1938/40 were 21,293 piculs.

The decline in rubber business this year against the first half year of 1947 is mainly due to the depression in China; while last year China purchased from Hongkong 149,374 piculs, this year's purchases were only 39% of last year's quantity.

\* \* \* \*

## BRISTLES

Imports for Jan./June 1948 amounted to 3,572 piculs, valued at \$2,399,892, from: Korea 270 p., \$343,865, Malaya 7 p., \$4,526, Macao 35 p., \$18,940, and China 3,260 p., \$2,031,561.

Exports amounted to 4,833 piculs, at \$6,118,522, shipped to:—

Country	Piculs	Value, \$
U.K. ....	1,520	1,939,184
Belgium .....	110	79,920
France .....	296	387,442
Siam .....	7	5,000
U.S. ....	2,587	3,373,690
Holland .....	150	152,000
Australia .....	74	113,328
Burma .....	89	67,958

Registered stocks as at January 9: 3,697 piculs.

Licensed for re-export as at June 30: 6,832 piculs.



## HONGKONG IMPORTS & EXPORTS OF SELECTED CARGOES FOR THE MONTH OF JUNE, 1948.

### WOLFRAM ORE

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	336	127,680
France	—	—	661	274,560
Macao	204	73,120	—	—
U.S.A.	—	—	336	124,320
Total	204	73,120	1,333	526,560

### ANTIMONY

NIL

### TIN SLABS (OTHER THAN CHINA)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Malaya (British)	1,512	746,960	—	—
Total	1,512	746,960	—	—

### TIN SLABS (CHINA)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	420	194,880
China, South	1,123	414,202	—	—
Germany	—	—	910	434,363
Macao	47	18,190	—	—
U.S.A.	—	—	238	136,868
Total	1,170	432,392	1,568	766,111

### TINPLATES

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	5,670	363,947	—	—
China, Middle	—	—	141	9,220
South	—	—	973	67,450
U.S.A.	11,088	472,315	—	—
Total	16,758	836,262	1,114	76,670

### VEGETABLE OILS

#### ANISEED OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Australia	—	—	12	6,600
South Africa	—	—	3	1,764
France	—	—	34	17,700
Norway	—	—	3	1,669
U.S.A.	—	—	43	19,653
Total	—	—	95	47,386

### CASSIA OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Australia	—	—	6	7,260
Total	—	—	6	7,260

### COCONUT OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Malaya (British)	8,733	1,112,225	—	—
North Borneo	233	33,414	—	—
China, North	—	—	592	87,176
" Middle	—	—	4,585	675,002
" South	—	—	599	65,210
Macao	—	—	58	7,448
Total	8,966	1,145,639	5,834	834,836

### LINSEED OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
India	46	8,340	—	—
French Indo China	—	—	51	11,900
Macao	—	—	2	360
Total	46	8,340	53	12,260

### PEANUT OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
India	1,260	168,719	—	—
Macao	454	73,316	—	—
Siam	150	24,000	—	—
Total	1,864	266,035	—	—

### SESAMUM OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Australia	—	—	2	160
Canada	—	—	15	4,264
Malaya (British)	—	—	13	2,870
Cuba	—	—	1	150
Macao	126	18,555	—	—
Philippines	—	—	3	575
U.S.A.	—	—	24	6,074
Total	126	18,555	58	14,093

### SOYA BEAN OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Siam	45	5,400	—	—
Total	45	5,400	—	—

### TEA SEED OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
China, South	6,844	791,215	—	—
Macao	45	8,550	—	—
U.S.A.	—	—	1,896	334,485
Total	6,889	799,765	1,896	334,485



## WOOD OIL (IN DRUMS)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	3,460	505,756
Australia	—	—	2,051	310,477
India	—	—	252	36,540
Malaya (British)	—	—	86	12,986
New Zealand	—	—	168	24,696
North Borneo	—	—	8	1,125
South Africa	—	—	672	99,456
Br. Empire, Other	—	—	84	12,096
China, South	37,574	3,823,068	—	—
Holland	—	—	563	82,740
Italy	—	—	307	46,456
Macao	2,009	272,200	—	—
Norway	—	—	84	12,096
Siam	—	—	9	1,500
Sweden	—	—	2,156	319,712
U.S.A.	—	—	315	49,000
Total	39,583	4,095,268	10,215	1,514,636

## WOOD OIL (IN BULK)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	7,660	1,117,837
China, South	4,508	372,180	—	—
U.S.A.	—	—	6,286	731,024
Total	4,508	372,180	13,946	1,848,861

## OTHER OILS FROM SEEDS, NUTS &amp; KERNELS

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	241	58,320
Malaya (British)	21	2,150	—	—
China, South	273	20,370	—	—
Macao	2,694	335,576	—	—
Total	2,988	358,096	241	58,320

## BRISTLES

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	9	17,775
Belgium	—	—	44	46,200
China, South	30	13,500	—	—
Holland	—	—	50	67,000
Korea	20	118,265	—	—
Siam	—	—	5	2,000
U.S.A.	—	—	149	143,285
Total	50	131,765	257	276,260

\* \* \* \*

## RUBBER (RAW)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Malaya (British)	17,210	1,610,531	—	—
Br. Empire, Other	421	37,488	—	—
China, Middle	—	—	6,204	582,997
China, South	—	—	6,903	616,860
French Indo China	1,050	50,500	—	—
Korea	—	—	3,958	347,696
Macao	—	—	21	960
Neth. E. Indies	9,858	899,390	—	—
Siam	40	3,645	—	—
U.S.A.	65	6,300	1,680	217,782
Iraq	—	—	1,670	181,440
Total	28,644	2,607,854	20,436	1,947,735

THE FOREIGN TRADE OF INDOCHINA  
FOR THE FIRST FIVE MONTHS OF 1948

## IMPORTS IN MAY

The imports in May as recorded by the Customs and Regies have considerably increased in weight over April; May imports totalled 36,948 tons valued 202.5 million piastres against April 26,500 t. 196 m. piastres. Since January 1947 no higher tonnage of imports has been registered and the May figure is not much behind the pre-war monthly average which was 40,800 tons.

This fact shows that despite unrest in the northern parts of the country the economy of Indochina is on the road back to normalcy and it further testifies to the increased purchasing power of the people who now can afford to pay for heavier imports.

The following figures of imports in May and for the prewar monthly average (1938) show considerable increases this year:—

	May 1948	1938 average per month
Potatoes	528	387
Ordinary wines	788	771
Licours, spirits	132	33
Paper and paper manufactures	1,574	976
Machines and tools	879	587
Rubber goods	261	140
Automobiles (numbers)	320	192

The most important import increase was noticed in sugar the May imports having been 3,331 tons against 1,440 tons for the whole year of 1938. Gasoline and petroleum derivatives, and metal goods approached the prewar import level. Declines were noted in milk products, wheat flour, tobacco and cigarettes, vegetables, metals, yarn, jute bags and cotton piece goods.

France remains the principal country of origin accounting for 60.8% of total imports, supplying Indochina largely with: wines, liquors and spirits, medicines, cotton and rayon piece goods, paper, bicycles, motorcycles, automobiles, motor car spare parts, air conditioners, etc.

The U.S. take second place with 12.9% of the total, importing principally crude oil, paper, machinery, motor cars and ships.

China accounted for 6.2% of imports in May, importing mostly living animals, potatoes, paper, raw silk.

Other suppliers in May were: French Empire countries—wines from Algeria, sardines from Morocco, sugar from Reunion etc. Australia—milk, wheat flour, potatoes; Siam, Netherlands Indies, United Kingdom, India, Belgium, Hong Kong—in that order.

## Exports in May

Although exports were in excess of previous months and the trend is upwards the prewar level is still far to be attained. With 46,000 tons, valued IC\$ 106 m., exported in May this year, the 1938 monthly average of 332,900 tons appears only a possible goal in 1949 and the progress of pacification of the country will have the most im-



portant bearing on the further increase in export shipments from Indochina.

Only fish oil and salt vegetables figures are higher than prewar averages, while the following products show a much smaller figure this year than in 1938:—maize, cement, coal, rubber, pepper.

The leading country of destination remains France accounting for almost

50% of total exports, buying mostly fish oils, white rice, pepper, rubber. The French Empire countries followed with 36%, buying broken rice, white rice, soap.

Hongkong is the third largest buyer of Indochina goods accounting for 9½% of total exports. Principal purchases by Hongkong in May were a large lot of hides and skins, fish and

shell fish, vegetables, sesamum seed, tea, lacquer, cement. Other importing countries in May were: Singapore, buying fish and rice; the U.S. buying mainly rubber; Siam.

#### Balance of Trade

The May trade deficit amounted to IC\$ 96 million and the unfavourable balance for the first five months of the current year was IC\$ 303 m.

## IMPORTS & EXPORTS OF INDOCHINA

### EXPORTS

	1938 Monthly Average	1947 May	1948	
	1,000 T.	1,000 T.	May	Jan./May
Total Tonnage	332.9	12.3	46.0	184.2
	1,000,000	1,000,000	1,000,000	1,000,000
	I.C.\$	I.C.\$	I.C.\$	I.C.\$
Total Value ..	23.7	28	106.0	359.5

#### Principal Countries of Destination

	1,000 T.	1,000 T.	1,000 T.	1,000 T.
France .....	110.3	4.6	13.6	38.1
French Empire .....	11.6	1.9	25.8	54.3
U.S.A. ....	2.5	1.5	0.6	2.0
Hongkong ....	47.1	0.2	0.8	21.3
Singapore ....	11.7	2.7	6.7	40.9
China .....	41.2	0.3	—	19.5
Siam .....	2.2	0.9	0.6	0.7
	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
France .....	11,377	12,820	43,386	141,673
French Empire .....	1,357	2,288	38,435	108,105
U.S.A. ....	2,078	4,354	3,641	8,434
Hongkong ....	2,330	2,005	10,056	37,450
Singapore ....	2,455	4,781	7,570	42,455
China .....	637	184	173	5,283
Siam .....	122	936	2,708	12,904

#### Principal Products

	Tons	Tons	Tons	Tons
Hides .....	197	216	43	510
Fish .....	2,683	136	538	1,472
Fish Oil .....	79	336	137	1,099
Vegetables .....	358	50	567	2,807
Maize .....	45,668	—	—	1,990
(cargo ..	5,774	1,491	1,774	3,202
Rice (whole ..	56,066	1,902	11,719	55,251
(broken ..	14,595	123	9,405	18,237
(flour ..	8,261	1,376	3,131	18,931
Pepper .....	460	60	58	470
Tea .....	164	11	38	65
Colophanes ..	21	329	—	89
Rubber .....	4,835	5,270	2,584	14,067
Kapok .....	316	10	23	525
Cement .....	12,125	—	1,415	7,433
Oil .....	131,733	—	2,941	23,392
	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Hides .....	150	419	1,436	6,748
Fish .....	591	743	1,662	6,536
Fish Oil .....	9	1,206	534	3,845
Vegetables ..	64	87	3,267	15,932
Maize .....	4,190	—	—	3,963
(cargo ..	518	1,228	2,116	3,859
Rice (whole ..	5,945	2,160	28,295	109,889
(broken ..	1,293	136	20,489	31,741
(flour ..	430	1,142	2,605	16,640
Pepper .....	143	971	1,156	9,765
Tea .....	180	127	546	931
Colophanes ..	4	1,241	—	156
Rubber .....	5,173	16,399	19,417	80,226
Kapok .....	183	44	172	2,868
Cement .....	214	—	743	3,629
Oil .....	1,025	—	695	4,144

### IMPORTS

	1938 Monthly Average	1947 May	1948	
	1,000 T.	1,000 T.	May	Jan./May
Total Tonnage	40.8	9.1	36.9	131.4
	1,000,000	1,000,000	1,000,000	1,000,000
	I.C.\$	I.C.\$	I.C.\$	I.C.\$
Total Value ..	16.2	50	202.5	662.4

#### Principal Countries of Origin

	1,000 T.	1,000 T.	1,000 T.	1,000 T.
France .....	10.4	3.0	10.7	45.4
French Empire .....	1.7	0.2	3.9	5.8
U.S.A. ....	2.2	1.8	6.9	21.8
India .....	1.3	—	0.6	1.7
Hongkong ....	3.8	0.4	0.2	0.9
N.E.I. ....	7.5	3.0	7.6	32.3
China .....	2.5	0.02	1.3	4.6
Siam .....	3.4	0.3	2.9	8.3
	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
France .....	8,483	30,280	123,224	344,970
French Empire .....	645	780	8,506	18,131
U.S.A. ....	816	6,652	26,122	122,558
India .....	462	—	3,144	7,891
Hongkong ....	1,195	917	1,634	6,468
N.E.I. ....	705	886	4,848	16,185
China .....	1,192	1,322	12,638	42,673
Siam .....	300	640	4,993	18,796

#### Principal Products

	Tons	Tons	Tons	Tons
Milk Products ..	477	17	348	1,438
Wheat Flour ..	2,017	—	991	2,982
Potatoes .....	387	261	528	2,195
Sugar .....	120	—	3,331	3,452
Tobacco .....	342	44	257	1,171
Vegetables ..	1,352	171	615	1,916
Wines .....	771	725	788	1,814
Spirits .....	33	178	132	406
Gasoline, etc. ..	9,604	3,641	9,465	38,419
Metals .....	4,360	523	1,191	5,590
Yarn .....	312	31	123	621
Jute Bags ....	1,733	—	564	1,678
Cotton goods ..	673	528	562	2,605
Paper .....	976	374	1,574	4,488
Machines, tools ..	587	224	879	4,443
Metal goods ..	1,064	508	924	5,688
Rubber goods ..	140	74	261	733
	Number	Number	Number	Number
Motor Cars ..	192	125	320	1,435
	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Milk Products ..	373	171	2,497	10,492
Wheat Flour ..	330	—	2,652	6,082
Potatoes .....	31	241	1,110	4,569
Sugar .....	24	—	5,008	5,624
Tobacco .....	335	298	3,009	14,280
Vegetables ..	166	560	4,134	12,150
Wines .....	244	4,172	4,998	17,413
Spirits .....	62	1,966	2,779	7,643
Gasoline, etc. ..	864	1,537	6,893	23,391
Metals .....	1,602	900	4,029	12,808
Yarn .....	811	1,569	5,361	20,358
Jute bags ....	532	—	3,025	7,529
Cotton goods ..	2,046	16,440	24,711	111,150
Paper .....	593	4,190	11,624	33,657
Machines, tools ..	1,146	1,662	14,219	45,909
Metal goods ..	745	2,118	9,204	28,368
Rubber goods ..	285	747	3,965	11,661
Automobiles ..	470	1,304	8,193	32,858



## FOREIGN TRADE OF THE PHILIPPINES FOR THE FIRST QUARTER OF 1948

By Nationality of Trading Firms in the Philippines

Nationality	Total Trade (Pesos)	Imports (Pesos)	Exports (Pesos)	Nationality	Total Trade (Pesos)	Imports (Pesos)	Exports (Pesos)
Total	517,184,894	324,927,550	192,257,344	Turkish	89,122	89,122	—
American	180,581,484	85,823,682	94,757,802	Armenian	61,560	59,967	1,600
Chinese	178,618,767	142,615,446	36,003,321	Italian	18,130	18,130	—
Filipino	109,117,518	67,988,566	41,128,952	Norwegian	16,374	15,674	700
British	18,459,667	10,873,834	7,585,833	British-Malayan	13,890	13,890	—
Spanish	10,742,017	2,224,710	8,517,307	Portuguese	12,613	7,220	5,393
Swiss	7,673,507	7,609,672	63,835	Austrian	11,462	11,462	—
Syrian	2,997,413	2,894,050	103,363	Jewish	9,052	9,052	—
British-Indian	2,669,596	2,622,436	47,130	Danish	2,348	2,236	112
Dutch	2,665,496	59,692	2,605,804	Hondurian	2,342	2,342	—
French	1,345,767	622,170	723,597	Dutch-Malayan	2,049	—	2,049
Panaman	915,968	915,968	—	Russian	1,000	1,000	—
German	574,127	53,568	520,559	Czech	634	234	400
Swedish	233,010	233,010	—	Polish	318	318	—
Argentinian	227,979	159,594	68,385	Irish	218	218	—
Siamese	121,202	—	121,202	Slovak	128	128	—
				Egyptian	50	50	—
				Others	86	86	—

## POSITION OF TRADING FIRMS IN THE PHILIPPINES

In spite of Independence the progress of Filipino business in relation to the trading volume of foreign firms has been slow. The predominant role of foreign traders in the foreign trade of the country is often openly resented by the more vocal nationalists. It is especially the Chinese trader in the Philippine import business who has attained a position which has outpaced other nations' commercial companies and even left far behind American traders who traditionally enjoy a favoured position.

The increasing nationalism of the Filipino people is directed, because of the relatively large number of overseas Chinese in the Islands, against any further expansion of Chinese business and efforts have been made to oust, by legislation, Chinese commercial middlemen from their entrenched position.

Of the total trade of the Philippines for the first quarter of 1948, the traders of the U.S. accounted for 34.91 per cent of total business, followed by Chinese merchants with 34.54 per cent, Filipino companies with 21.1 per cent, British traders with 3.57, Spanish traders 2.08, Swiss traders 1.48 and Syrian merchants with 0.58 per cent.

In the import trade of the Philippines the following nationalities did most of the business (figures indicate

percentage of total imports):—Chinese 43.9, American 26.41, Filipino 20.92, British 3.35, Swiss 2.34, Syrian 0.9.

In the export trade of the Philippines the following nationalities did most of the export business (in per cent of total exports):—American 42.29, Filipino 21.2, Chinese 18.74, Spanish 4.42, British 3.95, Dutch 1.36.

## TRADE DEFICIT

For the first quarter of 1948 the trade deficit amounted to 132.7 million pesos. The import excess amounted to 40.8 per cent. of total imports. With a very active balance of payments, due largely to American assistance in various forms, the Philippines can well

afford to continue with a heavy import excess.

## EXPORTS IN MAY

Export shipments still show a steady increase as compared to 1947. During May of this year 93 vessels called at the Islands and lifted 159,065 tons, as against 71 vessels and 108,697 tons for May last year. Notable increases were in sugar and lumber, which did not move at all last year.

Effects of the 15% increase in ocean freight rates to the United States have not been felt yet, but it is generally believed that the increase will be absorbed by the trade and will not affect the volume of business.

Exports for May of this year, as compared with May, 1947, are:

Cigars	39 tons	3 tons
Desiccated Coconut	7,849 "	3,437 "
Coconut Oil	2,108 "	717 "
Copra	47,328 "	66,821 "
Copra Cake	4,309 "	3,267 "
Hemp	87,042 bales	100,852 bales
Logs and Lumber	1,779,855 board feet	—
Ores	20,587 tons	15,861 tons
Rope	554 tons	109 tons
Sugar	22,516 tons	—
Tobacco	653 tons	223 tons